

[COMMITTEE PRINT]

JULY 13, 1999

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 1102
OFFERED BY MR. BOEHNER**

Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

2 **TABLE OF CONTENTS.**

3 (a) SHORT TITLE.—This Act may be cited as the
4 “Comprehensive Retirement Security and Pension Reform
5 Act”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference
10 shall be considered to be made to a section or other provi-
11 sion of the Internal Revenue Code of 1986.

12 (c) TABLE OF CONTENTS.—The table of contents for
13 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—EXPANDING COVERAGE

Sec. 101. Restoration of limits formerly in effect.

Sec. 102. Plan loans for subchapter S owners, partners, and sole proprietors.

Sec. 103. Salary reduction only simple plans.

Sec. 104. Modification of top-heavy rules.

- Sec. 105. Elective deferrals not taken into account for purposes of limits.
- Sec. 106. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
- Sec. 107. Elimination of user fee for requests to IRS regarding pension plans.
- Sec. 108. Alternative method of meeting nondiscrimination requirements for automatic contribution trust.
- Sec. 109. Deduction limits.
- Sec. 110. Option to treat elective deferrals as after-tax contributions.
- Sec. 111. Credit for pension plan startup costs of small employers.

TITLE II—ENHANCING FAIRNESS FOR WOMEN AND CHILDREN

- Sec. 201. Additional salary reduction catch-up contributions.
- Sec. 202. Equitable treatment for contributions of employees to defined contribution plans.
- Sec. 203. Faster vesting of certain employer matching contributions.
- Sec. 204. Deferred annuities for surviving spouses of Federal employees.
- Sec. 205. Simplify and update the minimum distribution rules.
- Sec. 206. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
- Sec. 207. Percentage limitations on contributions.
- Sec. 208. Eligible rollover distributions.
- Sec. 209. Immediate participation in the Thrift Savings Plan.

TITLE III—INCREASING PORTABILITY FOR PARTICIPANTS

- Sec. 301. Rollovers allowed among various types of plans.
- Sec. 302. Rollovers of IRAs into workplace retirement plans.
- Sec. 303. Rollovers of after-tax contributions.
- Sec. 304. Treatment of forms of distribution.
- Sec. 305. Rationalization of restrictions on distributions.
- Sec. 306. Purchase of service credit in governmental defined benefit plans.
- Sec. 307. Employers may disregard rollovers for purposes of cash-out amounts.

TITLE IV—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

- Sec. 401. Repeal of 150 percent of current liability funding limit.
- Sec. 402. Penalty tax relief for sound pension funding.

TITLE V—REDUCING REGULATORY BURDENS

- Sec. 501. Intermediate sanctions for inadvertent failures.
- Sec. 502. Repeal of the multiple use test.
- Sec. 503. Safety valve from mechanical rules.
- Sec. 504. Reform of the line of business rules.
- Sec. 505. Coverage test flexibility.
- Sec. 506. Increase in retirement plan cash-out amount.
- Sec. 507. Modification of timing of plan valuations.
- Sec. 508. Section 457 inapplicable to certain mirror plans.
- Sec. 509. ESOP dividends may be reinvested without loss of dividend deduction.
- Sec. 510. Modification of 403(b) exclusion allowance to conform to 415 modification.
- Sec. 511. Treatment of multiemployer plans under section 415.
- Sec. 512. Elimination of partial termination rules for multiemployer plans.
- Sec. 513. Notice and consent period regarding distributions.

- Sec. 514. Conforming amendments relating to election to receive taxable cash compensation in lieu of nontaxable parking benefits.
- Sec. 515. Extension to international organizations of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
- Sec. 516. Employees of tax-exempt entities.
- Sec. 517. Permissive aggregation of collective bargaining units.
- Sec. 518. Repeal of transition rule relating to certain highly compensated employees.
- Sec. 519. Clarification of treatment of employer-provided retirement advice.
- Sec. 520. Provisions relating to plan amendments.
- Sec. 521. Reporting simplification.
- Sec. 522. Model plans for small businesses.

TITLE VI—AMENDMENTS TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974

SUBTITLE A—EXPANDING COVERAGE AND INCREASING PORTABILITY

- Sec. 601. Plan loans for subchapter S owners, partners, and sole proprietors.
- Sec. 602. Reduced PBGC premium for new plans of small employers.
- Sec. 603. Reduction of additional PBGC premium for new and small plans.
- Sec. 604. Faster vesting of certain employer matching contributions.
- Sec. 605. Treatment of forms of distribution.
- Sec. 606. Employers may disregard rollovers for purposes of cash-out amounts.

SUBTITLE B—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

- Sec. 611. Repeal of 150 percent of current liability funding limit.
- Sec. 612. Missing participants.
- Sec. 613. Periodic pension benefits statements.
- Sec. 614. Civil penalties for breach of fiduciary responsibility.
- Sec. 615. Protection of investment of employee contributions to 401(k) plans.
- Sec. 616. Notice of significant reduction in benefit accruals.
- Sec. 617. Technical corrections to Saver Act.
- Sec. 618. Conforming amendments relating to transfer of excess defined benefit plan assets for retiree health benefits.

SUBTITLE C—REDUCING REGULATORY BURDENS

- Sec. 621. Modification of timing of plan valuations.
- Sec. 622. Substantial owner benefits in terminated plans.
- Sec. 623. Notice and consent period regarding distributions.
- Sec. 624. Annual report dissemination.
- Sec. 625. Excess benefit plans.
- Sec. 626. Benefit suspension notice.
- Sec. 627. Provisions relating to plan amendments.
- Sec. 628. Simplified annual filing requirement for plans with fewer than 25 employees.

1 **TITLE I—EXPANDING COVERAGE**

2 **SEC. 101. RESTORATION OF LIMITS FORMERLY IN EFFECT.**

3 (a) **DEFINED BENEFIT PLANS.—**

1 (1) DOLLAR LIMIT.—(A) Subparagraph (A) of
2 section 415(b)(1) (relating to limitation for defined
3 benefit plans) is amended by striking “\$90,000” and
4 inserting “\$180,000”.

5 (B) Subparagraphs (C) and (D) of section
6 415(b)(2) are each amended by striking “\$90,000”
7 each place it appears in the headings and the text
8 and inserting “\$180,000”.

9 (C) Paragraph (7) of section 415(b) (relating to
10 benefits under certain collectively bargained plans) is
11 amended by striking “the greater of \$68,212 or one-
12 half the amount otherwise applicable for such year
13 under paragraph (1)(A) for ‘\$90,000’” and insert-
14 ing “one-half the amount otherwise applicable for
15 such year under paragraph (1)(A) for ‘\$180,000’”.

16 (2) LIMIT REDUCED WHEN BENEFIT BEGINS
17 BEFORE AGE 62.—Subparagraph (C) of section
18 415(b)(2) is amended by striking “the social security
19 retirement age” each place it appears in the heading
20 and text and inserting “age 62”.

21 (3) LIMIT INCREASED WHEN BENEFIT BEGINS
22 AFTER AGE 65.—Subparagraph (D) of section
23 415(b)(2) is amended by striking “the social security
24 retirement age” each place it appears in the heading
25 and text and inserting “age 65”.

1 (4) MULTIEmployer plans and plans main-
2 tained by governments and tax exempt orga-
3 nizations.—Subparagraph (F) of section 415(b)(2)
4 is amended to read as follows:

5 “(F) MULTIEmployer plans and plans
6 maintained by governments and tax ex-
7 empt organizations.—

8 “(i) IN GENERAL.—In the case of a
9 governmental plan (within the meaning of
10 section 414(d)), a plan maintained by an
11 organization (other than a governmental
12 unit) exempt from tax under this subtitle,
13 a multiemployer plan (as defined in section
14 414(f)), or a qualified merchant marine
15 plan, subparagraph (C) shall be applied as
16 if the last sentence thereof read as follows:
17 ‘The reduction under this subparagraph
18 shall not reduce the limitation of para-
19 graph (1)(A) below (i) \$130,000 if the
20 benefit begins at or after age 55, or (ii) if
21 the benefit begins before age 55, the equiv-
22 alent of the \$130,000 limitation for age
23 55.’

24 “(ii) DEFINITIONS.—For purposes of
25 this subparagraph—

1 “(I) QUALIFIED MERCHANT MA-
2 RINE PLAN.—The term ‘qualified mer-
3 chant marine plan’ means a plan in
4 existence on January 1, 1986, the
5 participants in which are merchant
6 marine officers holding licenses issued
7 by the Secretary of Transportation
8 under title 46, United States Code.

9 “(II) EXEMPT ORGANIZATION
10 PLAN COVERING 50 PERCENT OF ITS
11 EMPLOYEES.—A plan shall be treated
12 as a plan maintained by an organiza-
13 tion (other than a governmental unit)
14 exempt from tax under this subtitle if
15 at least 50 percent of the employees
16 benefiting under the plan are employ-
17 ees of an organization (other than a
18 governmental unit) exempt from tax
19 under this subtitle. If less than 50
20 percent of the employees benefiting
21 under a plan are employees of an or-
22 ganization (other than a governmental
23 unit) exempt from tax under this sub-
24 title, the plan shall be treated as a
25 plan maintained by an organization

1 (other than a governmental unit) ex-
2 empt from tax under this subtitle only
3 with respect to employees of such an
4 organization.”.

5 (5) COST-OF-LIVING ADJUSTMENTS.—Sub-
6 section (d) of section 415 (related to cost-of-living
7 adjustments) is amended—

8 (A) in paragraph (1)(A) by striking
9 “\$90,000” and inserting “\$180,000”, and

10 (B) in paragraph (3)(A)—

11 (i) by striking “\$90,000” in the head-
12 ing and inserting “\$180,000”, and

13 (ii) by striking “October 1, 1986” and
14 inserting “July 1, 1999”.

15 (b) DEFINED CONTRIBUTION PLANS.—

16 (1) DOLLAR LIMIT.—Subparagraph (A) of sec-
17 tion 415(c)(1) (relating to limitation for defined con-
18 tribution plans) is amended by striking “\$30,000”
19 and inserting “\$45,000”.

20 (2) COST-OF-LIVING ADJUSTMENTS.—Sub-
21 section (d) of section 415 (related to cost-of-living
22 adjustments) is amended—

23 (A) in paragraph (1)(C) by striking
24 “\$30,000” and inserting “\$45,000”, and

25 (B) in paragraph (3)(D)—

1 (i) by striking “\$30,000” in the head-
2 ing and inserting “\$45,000”, and

3 (ii) by striking “October 1, 1993” and
4 inserting “July 1, 1999”.

5 (c) QUALIFIED TRUSTS.—

6 (1) COMPENSATION LIMIT.—Sections
7 401(a)(17), 404(l), 408(k), and 505(b)(7) are each
8 amended by striking “\$150,000” each place it ap-
9 pears and inserting “\$235,000”.

10 (2) BASE PERIOD AND ROUNDING OF COST-OF-
11 LIVING ADJUSTMENT.—Subparagraph (B) of section
12 401(a)(17) is amended—

13 (A) by striking “October 1, 1993” and in-
14 serting “July 1, 1999”, and

15 (B) by striking “\$10,000” both places it
16 appears and inserting “\$5,000”.

17 (d) ELECTIVE DEFERRALS.—

18 (1) IN GENERAL.—Paragraphs (1) and (5) of
19 section 402(g) (relating to limitation on exclusion
20 for elective deferrals) are each amended by striking
21 “\$7,000” and inserting “\$15,000”.

22 (2) CONFORMING AMENDMENTS.—

23 (A) Section 402(g) (relating to limitation
24 on exclusion for elective deferrals), as amended
25 by paragraph (1), is further amended by strik-

1 ing paragraph (4) and redesignating para-
2 graphs (5), (6), (7), (8), and (9) as paragraphs
3 (4), (5), (6), (7), and (8), respectively.

4 (B) Clause (iii) of section 501(c)(18)(D) is
5 amended by striking “(other than paragraph
6 (4) thereof)”.

7 (e) DEFERRED COMPENSATION PLANS OF STATE
8 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
9 ZATIONS.—Section 457 (relating to deferred compensation
10 plans of State and local governments and tax-exempt orga-
11 nizations) is amended—

12 (1) in subsections (b)(2)(A), (c)(1), and (e)(15)
13 by striking “\$7,500” each place it appears and in-
14 serting “\$15,000”,

15 (2) in subsection (b)(3)(A) by striking
16 “\$15,000” and inserting “\$30,000”, and

17 (3) in subsection (e)(15)—

18 (A) by inserting “and the \$30,000 amount
19 specified in subsection (b)(3)(A)” after
20 “(c)(1)”, and

21 (B) by striking “September 30, 1994” and
22 inserting “September 30, 1999”.

23 (f) SIMPLE RETIREMENT ACCOUNTS.—

24 (1) LIMITATION.—Sections 408(p)(2)(A)(ii),
25 408(p)(2)(E), 401(k)(11)(B)(i)(I), and

1 401(k)(11)(E) are each amended by striking
2 “\$6,000” and inserting “\$10,000”.

3 (2) BASE PERIOD FOR COST-OF-LIVING ADJUST-
4 MENT.—Subparagraph (E) of section 408(p)(2) is
5 amended by striking “September 30, 1996” and in-
6 serting “September 30, 1999”.

7 (g) COST-OF-LIVING ADJUSTMENTS.—

8 (1) PLANS MAINTAINED BY GOVERNMENTS AND
9 TAX EXEMPT ORGANIZATIONS.—Paragraph (1) of
10 section 415(d) (as amended by subsection (b)) is
11 amended by striking “and” at the end of subpara-
12 graph (B), by redesignating subparagraph (C) as
13 subparagraph (D), and by inserting after subpara-
14 graph (B) the following new subparagraph:

15 “(C) the \$130,000 amount in subsection
16 (b)(2)(F), and”.

17 (2) BASE PERIOD.—Paragraph (3) of section
18 415(d) (as amended by subsection (b)) is further
19 amended by redesignating subparagraph (D) as sub-
20 paragraph (E) and by inserting after subparagraph
21 (C) the following new subparagraph:

22 “(D) \$130,000 AMOUNT.—The base period
23 taken into account for purposes of paragraph
24 (1)(C) is the calendar quarter beginning July 1,
25 1999.”.

1 (3) ROUNDING RULE RELATING TO DEFINED
2 BENEFIT PLANS AND DEFINED CONTRIBUTION
3 PLANS.—Paragraph (4) of section 415(d) is amend-
4 ed to read as follows:

5 “(4) ROUNDING.—

6 “(A) \$180,000 AMOUNT.—Any increase
7 under subparagraph (A) of paragraph (1) which
8 is not a multiple of \$5,000 shall be rounded to
9 the next lowest multiple of \$5,000.

10 “(B) \$130,000 AND \$45,000 AMOUNTS.—
11 Any increase under subparagraph (C) or (D) of
12 paragraph (1) which is not a multiple of \$1,000
13 shall be rounded to the next lowest multiple of
14 \$1,000.”.

15 (4) CONFORMING AMENDMENT.—Subparagraph
16 (D) of section 415(d)(3) (as amended by paragraph
17 (2)) is amended by striking “paragraph (1)(C)” and
18 inserting “paragraph (1)(D)”.

19 (h) INCREASE IN AMOUNT OF DEDUCTIBLE IRA
20 CONTRIBUTIONS.—

21 (1) INCREASE IN MAXIMUM AMOUNT OF DEDUC-
22 TION.—Subparagraph (A) of section 219(b)(1) (re-
23 lating to maximum amount of deduction) is amended
24 by striking “\$2,000” and inserting “\$5,000”.

25 (2) CONFORMING AMENDMENTS.—

1 (A) Subsections (a)(1), (b)(2), (j), and
2 (p)(8) of section 408 are each amended by
3 striking “\$2,000” each place it appears and in-
4 serting “\$5,000”.

5 (B) Clause (i) of section 408(o)(2)(B) is
6 amended by inserting “the lesser of \$2,000, or”
7 after “means”.

8 (C) Paragraph (2) of section 408A(c) is
9 amended by inserting “the lesser of \$2,000, or”
10 after “shall not exceed”.

11 (D) Subparagraph (B) of section
12 4973(b)(1) is amended by inserting “(or in the
13 case of a nondeductible individual retirement
14 plan, the amount allowable as a contribution
15 under section 408(o))” after “contributions,”.

16 (i) EFFECTIVE DATE.—

17 (1) IN GENERAL.—The amendments made by
18 this section shall apply to years beginning after De-
19 cember 31, 1999.

20 (2) COLLECTIVE BARGAINING AGREEMENTS.—

21 In the case of a plan maintained pursuant to 1 or
22 more collective bargaining agreements between em-
23 ployee representatives and 1 or more employers rati-
24 fied by the date of enactment of this Act, the
25 amendments made by this section shall not apply to

1 contributions or benefits pursuant to any such
2 agreement for years beginning before the earlier
3 of—

4 (A) the later of—

5 (i) the date on which the last of such
6 collective bargaining agreements termi-
7 nates (determined without regard to any
8 extension thereof on or after such date of
9 enactment), or

10 (ii) January 1, 2000, or

11 (B) January 1, 2004.

12 **SEC. 102. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-**
13 **NERS, AND SOLE PROPRIETORS.**

14 (a) AMENDMENT TO 1986 CODE.—Subsection (f) of
15 section 4975 (relating to other definitions and special
16 rules) is amended by striking paragraph (6).

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall take effect on the date of enactment of
19 this Act.

20 **SEC. 103. SALARY REDUCTION ONLY SIMPLE PLANS.**

21 (a) SIMPLE RETIREMENT ACCOUNTS.—

22 (1) IN GENERAL.—Paragraph (2) of section
23 408(p) (as amended by section 101(f)) is further
24 amended—

1 (A) by redesignating subparagraphs (C),
2 (D), and (E) as subparagraphs (D), (E), and
3 (F), respectively; and

4 (B) by inserting after subparagraph (B)
5 the following:

6 “(C) EMPLOYER MAY ELECT SALARY RE-
7 Duction ONLY ARRANGEMENT.—

8 “(i) IN GENERAL.—An employer shall
9 be treated as meeting the requirements of
10 subparagraph (A)(iii) for any year if, in
11 lieu of the contributions described in such
12 subparagraph, the employer elects to limit
13 the amount which an employee may elect
14 under subparagraph (A)(i) to a total of
15 \$5,000 for the year. If an employer makes
16 an election under this subparagraph for
17 any year, the employer shall notify employ-
18 ees of such election within a reasonable pe-
19 riod of time before the 60-day period for
20 such year under paragraph (5)(C).

21 “(ii) EXCEPTION.—This subpara-
22 graph shall not apply to an employer if
23 such employer (or any predecessor em-
24 ployer) maintained another qualified plan
25 (as defined in subparagraph (D)(ii)) with

1 respect to which contributions were made,
2 or benefits were accrued, for service during
3 the year in which the arrangement de-
4 scribed in clause (i) became effective or ei-
5 ther of the 2 preceding years. If only indi-
6 viduals other than employees described in
7 subparagraph (A) of section 410(b)(3) are
8 eligible to participate in the arrangement
9 described in clause (i), then the preceding
10 sentence shall be applied without regard to
11 any qualified plan in which only employees
12 so described are eligible to participate.”.

13 (2) SPECIAL RULE FOR ACQUISITIONS, DISPOSI-
14 TIONS, AND SIMILAR TRANSACTIONS.—Subpara-
15 graph (B) of section 408(p)(10) is amended by
16 striking “and” at the end of clause (ii), by striking
17 the period at the end of clause (iii) and inserting
18 “; and”, and by inserting after clause (iii) the fol-
19 lowing:

20 “(iv) the requirement under para-
21 graph (2)(C) that the employer not have
22 maintained another qualified plan de-
23 scribed therein.”.

24 (3) COST-OF-LIVING ADJUSTMENT.—Subpara-
25 graph (F) of section 408(p)(2) (as so redesignated)

1 is amended by inserting “and the \$5,000 amount
2 under subparagraph (C)” after “subparagraph
3 (A)(ii)”.

4 (4) COORDINATION WITH MAXIMUM LIMITA-
5 TION.—Paragraph (8) of section 408(p) (relating to
6 coordination with maximum limitation under sub-
7 section (a)) is amended by striking “paragraph
8 (2)(A)(ii) of this subsection” and inserting “sub-
9 paragraph (A)(ii) or (C) of paragraph (2) of this
10 subsection, whichever is applicable,”.

11 (5) CONFORMING AMENDMENT.—Clause (ii) of
12 section 408(p)(10)(B) is amended by striking “para-
13 graph (2)(D)” and inserting “paragraph (2)(E)”.

14 (b) ADOPTION OF SIMPLE PLAN TO MEET NON-
15 DISCRIMINATION TESTS.—

16 (1) SIMPLE PLAN.—Subparagraph (B) of sec-
17 tion 401(k)(11) is amended by redesignating clause
18 (iii) as clause (iv) and by inserting after clause (ii)
19 the following new clause:

20 “(iii) EMPLOYER MAY ELECT SALARY
21 REDUCTION ONLY ARRANGEMENT.—

22 “(I) IN GENERAL.—An employer
23 shall be treated as meeting the re-
24 quirements of clause (i)(II) for any
25 year if, in lieu of the contributions de-

1 scribed in such clause, the employer
2 elects to limit the amount which an
3 employee may elect under clause (i) to
4 a total of \$5,000 for the year. If an
5 employer makes an election under this
6 clause for any year, the employer shall
7 notify employees of such election with-
8 in a reasonable period of time before
9 the 60-day period for such year under
10 clause (iv)(II).

11 “(II) EXCEPTION.—This clause
12 shall not apply to an employer if such
13 employer (or any predecessor em-
14 ployer) maintained another qualified
15 plan (as defined in section
16 408(p)(2)(D)(ii)) with respect to
17 which contributions were made, or
18 benefits were accrued, for service dur-
19 ing the year in which the arrangement
20 described in subclause (I) became ef-
21 fective or either of the 2 preceding
22 years. This subclause shall not apply
23 if such contributions or benefits were
24 solely on behalf of employees who are
25 not eligible to participate in the ar-

1 rangement described in subclause
2 (I).”.

3 (2) COST-OF-LIVING ADJUSTMENT.—Subpara-
4 graph (E) of section 401(k)(11) is amended by in-
5 serting “and the \$5,000 amount under subpara-
6 graph (B)(iii)” after “subparagraph (B)(i)(I)”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to years beginning after December
9 31, 1999.

10 **SEC. 104. MODIFICATION OF TOP-HEAVY RULES.**

11 (a) REPEAL OF FAMILY AGGREGATION RULES.—
12 Section 416(i)(1)(B)(i)(I) (defining 5-percent owner) is
13 amended by inserting “(without regard to subsection
14 (a)(1) thereof)” after “section 318”.

15 (b) SIMPLIFICATION OF DEFINITION OF KEY EM-
16 PLOYEE.—

17 (1) IN GENERAL.—Section 416(i)(1)(A) (defin-
18 ing key employee) is amended—

19 (A) by striking “or any of the 4 preceding
20 plan years” in the matter preceding clause (i),

21 (B) by striking clause (i) and inserting the
22 following:

23 “(i) an officer of the employer who
24 has compensation from the employer of
25 more than \$150,000,”

1 (C) by striking clause (ii) and redesignig-
2 nating clauses (iii) and (iv) as clauses (ii) and
3 (iii), respectively, and

4 (D) by striking the second sentence in the
5 matter following clause (iii), as redesignated by
6 subparagraph (C).

7 (2) CONFORMING AMENDMENT.—Section
8 416(i)(1)(B)(iii) is amended by striking “and sub-
9 paragraph (A)(ii)”.

10 (c) EMPLOYEE ELECTIVE CONTRIBUTIONS TO PLAN
11 NOT TAKEN INTO ACCOUNT.—

12 (1) DEFINITION OF TOP-HEAVY PLAN.—Section
13 416(g)(4) (relating to other special rules) is amend-
14 ed by adding at the end the following:

15 “(H) EMPLOYEE ELECTIVE CONTRIBU-
16 TIONS TO PLAN NOT TAKEN INTO ACCOUNT.—
17 At the election of the employer, any employee
18 elective contribution described in section
19 415(c)(3)(D) to a plan (and earnings allocable
20 thereto) shall not be taken into account for pur-
21 poses of determining whether a plan is a top-
22 heavy plan (or whether any aggregation group
23 which includes such plan is a top-heavy
24 group).”.

1 (2) DEFINITION OF COMPENSATION.—Section
2 416(i)(1)(D) (defining compensation) is amended to
3 read as follows:

4 “(D) COMPENSATION.—

5 “(i) IN GENERAL.—For purposes of
6 this paragraph, except as provided in
7 clause (ii), the term ‘compensation’ has the
8 meaning given such term by section
9 414(q)(4).

10 “(ii) EMPLOYEE ELECTIVE CONTRIBU-
11 TIONS TO PLAN NOT TAKEN INTO AC-
12 COUNT.—At the election of the employer,
13 any employee elective contribution de-
14 scribed in section 415(c)(3)(D) to a plan
15 shall not be taken into account for pur-
16 poses of determining compensation.”.

17 (d) MATCHING CONTRIBUTIONS TAKEN INTO AC-
18 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—
19 Section 416(c)(2)(A) (relating to defined contribution
20 plans) is amended by adding at the end the following:
21 “Employer matching contributions (as defined in section
22 401(m)(4)(A)) shall be taken into account for purposes
23 of this subparagraph.”.

24 (e) REQUIREMENTS FOR QUALIFICATIONS.—Clause
25 (ii) of section 401(a)(10)(B) (relating to requirements for

1 qualifications for top-heavy plans) is amended by adding
2 at the end the following new flush sentence:

3 “The preceding sentence shall not apply to
4 a plan if the plan is not top-heavy and if
5 it is not reasonable to expect that the plan
6 will become top-heavy.”.

7 (f) DISTRIBUTIONS DURING LAST YEAR BEFORE
8 DETERMINATION DATE TAKEN INTO ACCOUNT.—Section
9 416(g) is amended—

10 (1) in paragraph (3)—

11 (A) by striking “LAST 5 YEARS” in the
12 heading and inserting “LAST YEAR BEFORE DE-
13 TERMINATION DATE”, and

14 (B) in the matter following subparagraph
15 (B), by striking “5-year period” and inserting
16 “1-year period”, and

17 (2) in paragraph (4)(E)—

18 (A) by striking “LAST 5 YEARS” in the
19 heading and inserting “LAST YEAR BEFORE DE-
20 TERMINATION DATE”, and

21 (B) by striking “5-year period” and insert-
22 ing “1-year period”.

23 (g) DEFINITION OF TOP-HEAVY PLANS.—

24 (1) EXCLUSION OF CERTAIN PLANS FROM DEFINI-
25 TION OF TOP-HEAVY PLAN.—Paragraph (4) of sec-

1 tion 416(d) (relating to other special rules for top-
2 heavy plans) is amended by adding at the end the
3 following new subparagraphs:

4 “(H) CASH OR DEFERRED ARRANGEMENTS
5 USING ALTERNATIVE METHODS OF MEETING
6 NONDISCRIMINATION REQUIREMENTS.—The
7 term ‘top-heavy plan’ shall not include a cash
8 or deferred arrangement to the extent that such
9 arrangement meets the requirements of section
10 401(k)(12). This subparagraph shall also apply
11 to contributions that are not required to satisfy
12 the requirements of section 401(k)(12) but are
13 consistent with the purposes of such section, as
14 permitted under regulations which the Sec-
15 retary shall prescribe. Nothing in this subpara-
16 graph shall preclude an employer from taking
17 into account contributions made under the cash
18 or deferred arrangement when determining
19 whether any plan of such employer satisfies the
20 requirements of this section.

21 “(I) DEFINED CONTRIBUTION PLANS
22 USING ALTERNATIVE METHODS OF MEETING
23 NONDISCRIMINATION REQUIREMENTS.—The
24 term ‘top-heavy plan’ shall not include a de-
25 fined contribution plan to the extent that such

1 plan meets the requirements of section
2 401(m)(11). This subparagraph shall also apply
3 to contributions that are not required to satisfy
4 the requirements of section 401(m)(11) but are
5 consistent with the purposes of such section, as
6 permitted under regulations which the Sec-
7 retary shall prescribe. Nothing in this subpara-
8 graph shall preclude an employer from taking
9 into account contributions made under the de-
10 fined contribution plan when determining
11 whether any plan of such employer satisfies the
12 requirements of this section.”.

13 (2) AGGREGATION GROUP NOT REQUIRED TO
14 INCLUDE CERTAIN PLANS.—Clause (i) of section
15 416(g)(2)(A) of such Code (relating to required ag-
16 gregation) is amended by adding at the end the fol-
17 lowing new flush sentence:

18 “Such term shall not include a plan or ar-
19 rangement described in subparagraph (H)
20 or (I) of paragraph (4).”.

21 (h) ELECTIVE DEFERRALS NOT TAKEN INTO AC-
22 COUNT.—Clause (i) of section 416(c)(2)(B) (relating to
23 special rule where maximum contribution less than 3 per-
24 cent) is amended by inserting “(other than elective defer-

1 rals (as defined in section 402(g)(3))” after “contribu-
2 tions”.

3 (i) FROZEN PLAN EXEMPT FROM MINIMUM BEN-
4 EFIT REQUIREMENT.—Subparagraph (C) of section
5 416(c)(1) (relating to defined benefit plans) is amended—

6 (1) in clause (i) by striking “clause (ii)” and in-
7 serting “clause (ii) or (iii)”, and

8 (2) by adding at the end the following:

9 “(iii) For purposes of determining an
10 employee’s years of service with the em-
11 ployer, any service with the employer shall
12 be disregarded to the extent that such
13 service occurs during a plan year when no
14 employee or former employee benefits
15 under the plan within the meaning of sec-
16 tion 410(b).”.

17 (j) ALTERNATIVE 60 PERCENT.—Subsection (g) of
18 section 416 (relating to top heavy plan defined) is amend-
19 ed by adding at the end the following:

20 “(5) ALTERNATIVE 60 PERCENT TEST.—

21 “(A) IN GENERAL.—For any plan year, an
22 employer may elect for this paragraph to apply
23 to all plans maintained by such employer. If
24 this paragraph applies to a plan, the term ‘top-
25 heavy plan’ shall have the meaning set forth in

1 subparagraph (B) and the term ‘top-heavy
2 group’ shall have the meaning set forth in sub-
3 paragraph (C).

4 “(B) TOP-HEAVY PLAN DEFINED.—In the
5 case of any plan to which this paragraph ap-
6 plies, the term ‘top-heavy plan’ means, with re-
7 spect to any plan year—

8 “(i) any defined benefit plan if, for
9 the plan year ending on the determination
10 date, the present value of the accruals for
11 key employees exceeds 60 percent of the
12 present value of the accruals for all em-
13 ployees, and

14 “(ii) any defined contribution plan if,
15 for the plan year ending on the determina-
16 tion date, the annual additions for key em-
17 ployees exceed 60 percent of the annual
18 additions for all employees.

19 “(C) TOP-HEAVY GROUP.—In the case of
20 any plan to which this paragraph applies, the
21 term ‘top-heavy group’ means any aggregation
22 group if—

23 “(i) the sum, for the plan year ending
24 on the determination date, of—

1 “(I) the present value of the ac-
2 cruals for key employees under all de-
3 fined benefit plans included in such
4 group, and

5 “(II) the aggregate of the annual
6 additions of key employees under all
7 defined contribution plans included in
8 such group,

9 “(ii) exceeds 60 percent of a similar
10 sum determined for all employees.

11 “(D) ANNUAL ADDITION.—For purposes of
12 this paragraph, the term ‘annual addition’ shall
13 have the same meaning as when used in section
14 415(c)(2) (without regard to section 415(l) or
15 section 419A(d)(2)).

16 “(E) CERTAIN RULES NOT TO APPLY.—
17 Paragraphs (3) and (4) (other than subpara-
18 graphs (B), (C), (D), (E), and (G) of para-
19 graph (4)) shall not apply for purposes of this
20 paragraph.”.

21 (k) CONFORMING AMENDMENTS.—

22 (1) Subparagraph (A) of section 416(g)(1) is
23 amended by striking “subparagraph (B)” and insert-
24 ing “subparagraph (B) and paragraph (5)”.

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

15 (a) IN GENERAL.—Section 404 is amended by adding
16 at the end the following new subsection:

24 (b) CONFORMING AMENDMENTS.—Paragraph (3) of
25 section 4972(c) is amended to read as follows:

1 “(3) CONTRIBUTIONS NOT TAKEN INTO AC-
2 COUNT.—In determining the amount of nondeduct-
3 ible contributions for any taxable year, there shall
4 not be taken into account—

5 “(A) any elective deferral (as defined in
6 section 402(g)(3)), or

7 “(B) any contribution for such taxable
8 year which is distributed to the employer in a
9 distribution described in section
10 4980(c)(2)(B)(ii) if such distribution is made
11 on or before the last day on which a contribu-
12 tion may be made for such taxable year under
13 section 404(a)(6).”.

14 (c) EFFECTIVE DATE.—The amendment made by
15 this section shall apply to years beginning after December
16 31, 1999.

17 **SEC. 106. REPEAL OF COORDINATION REQUIREMENTS FOR**
18 **DEFERRED COMPENSATION PLANS OF STATE**
19 **AND LOCAL GOVERNMENTS AND TAX-EX-**
20 **EMPT ORGANIZATIONS.**

21 (a) IN GENERAL.—Subsection (c) of section 457 (re-
22 lating to deferred compensation plans of State and local
23 governments and tax-exempt organizations) is amended to
24 read as follows:

1 “(c) LIMITATION.—The maximum amount of the
2 compensation of any one individual which may be deferred
3 under subsection (a) during any taxable year shall not ex-
4 ceed \$15,000 (as modified by any adjustment provided
5 under subsection (b)(3)).”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 subsection (a) shall apply to years beginning after Decem-
8 ber 31, 1999.

9 **SEC. 107. ELIMINATION OF USER FEE FOR REQUESTS TO**
10 **IRS REGARDING PENSION PLANS.**

11 (a) ELIMINATION OF CERTAIN USER FEES.—The
12 Secretary of the Treasury or the Secretary’s delegate shall
13 not require payment of user fees under the program estab-
14 lished under section 10511 of the Revenue Act of 1987
15 for requests to the Internal Revenue Service for ruling let-
16 ters, opinion letters, and determination letters or similar
17 requests with respect to the qualified status of a pension
18 benefit plan maintained solely by one or more eligible em-
19 ployers or any trust which is part of the plan.

20 (b) PENSION BENEFIT PLAN.—For purposes of this
21 section, the term ‘pension benefit plan’ means a pension,
22 profit-sharing, stock bonus, annuity, or employee stock
23 ownership plan.

24 (c) ELIGIBLE EMPLOYER.—For purposes of this sec-
25 tion, the term “eligible employer” has the same meaning

1 given such term in section 408(p)(2)(C)(i)(I) of the Inter-
2 nal Revenue Code of 1986. The determination of whether
3 an employer is an eligible employer under this section shall
4 be made as of the date of the request described in sub-
5 section (a).

6 (d) EFFECTIVE DATE.—The provisions of this sec-
7 tion shall apply with respect to requests made after De-
8 cember 31, 1999.

9 **SEC. 108. ALTERNATIVE METHOD OF MEETING NON-**
10 **DISCRIMINATION REQUIREMENTS FOR AUTO-**
11 **MATIC CONTRIBUTION TRUST.**

12 (a) IN GENERAL.—Section 401(k) (relating to cash
13 or deferred arrangement) is amended by adding at the end
14 the following new paragraph:

15 “(13) NONDISCRIMINATION REQUIREMENTS
16 FOR AUTOMATIC CONTRIBUTION TRUSTS.—

17 “(A) IN GENERAL.—A cash or deferred ar-
18 rangement shall be treated as meeting the re-
19 quirements of paragraph (3)(A)(ii) if such ar-
20 rangement constitutes an automatic contribu-
21 tion trust.

22 “(B) AUTOMATIC CONTRIBUTION TRUST.—
23 For purposes of this paragraph, the term ‘auto-
24 matic contribution trust’ means an
25 arrangement—

1 “(i) under which each employee eligi-
2 ble to participate in the arrangement is
3 treated as having elected to have the em-
4 ployer make elective contributions in an
5 amount equal to the uniform percentage
6 (not less than 3 percent) of compensation
7 provided under the arrangement until the
8 employee specifically elects not to have
9 such contributions made, and

10 “(ii) which meets the other require-
11 ments of this paragraph.

12 Clause (i) of this subparagraph shall not apply
13 to any employee who was eligible to participate
14 in the arrangement (or a predecessor arrange-
15 ment) immediately before the first date on
16 which the arrangement is an automatic con-
17 tribution trust. The election treated as having
18 been made under clause (i) shall cease to apply
19 to compensation paid after the specific election
20 by the employee.

21 “(C) PARTICIPATION.—

22 “(i) Except as provided in clause (ii),
23 an arrangement meets the requirements of
24 this subparagraph for any year if, during
25 the plan year or the preceding plan year,

1 elective contributions are made on behalf
2 of at least 70 percent of employees other
3 than highly compensated employees eligible
4 to participate in the arrangement.

5 “(ii) An arrangement (other than a
6 successor arrangement) shall be treated as
7 meeting the requirements of this subpara-
8 graph with respect to the first plan year in
9 which the arrangement is effective.

10 “(D) MATCHING OR NONELECTIVE CON-
11 TRIBUTIONS.—The requirements of this sub-
12 paragraph are met if, under the arrangement,
13 the employer—

14 “(i) makes matching contributions on
15 behalf of each employee who is not a highly
16 compensated employee in an amount equal
17 to 50 percent of the elective contributions
18 of the employee to the extent such elective
19 contributions do not exceed 5 percent of
20 compensation, or

21 “(ii) is required, without regard to
22 whether the employee makes an elective
23 contribution or employee contribution, to
24 make a contribution to a defined contribu-
25 tion plan on behalf of each employee who

1 is not a highly compensated employee and
2 who is eligible to participate in the ar-
3 rangement in an amount equal to at least
4 2 percent of the employee's compensation.
5 The rules of clauses (ii), (iii), and (iv) of para-
6 graph (12)(B) shall apply for purposes of clause
7 (i).

8 “(E) VESTING.—The requirements of this
9 subparagraph are met if the requirements of
10 subparagraph (C) of paragraph (2) are met
11 with respect to all employer contributions (in-
12 cluding matching contributions) taken into ac-
13 count in determining whether the requirements
14 of subparagraph (B) or (C) are met.

15 “(F) NOTICE REQUIREMENTS.—

16 “(i) IN GENERAL.—The requirements
17 of this subparagraph are met if the re-
18 quirements of clauses (ii) and (iii) are met.

19 “(ii) REASONABLE PERIOD TO MAKE
20 ELECTION.—The requirements of this
21 clause are met if each employee to whom
22 subparagraph (B)(i) applies—

23 “(I) receives a notice explaining
24 the employee's right under the ar-
25 rangement to elect not to have elective

1 contributions made on the employee's
2 behalf, and

3 “(II) has a reasonable period of
4 time after receipt of such notice and
5 before the first elective contribution is
6 made to make such election.

7 “(iii) ANNUAL NOTICE OF RIGHTS
8 AND OBLIGATIONS.—The requirements of
9 this clause are met if each employee eligi-
10 ble to participate in the arrangement is,
11 within a reasonable period before any year,
12 given notice of the employee's rights and
13 obligations under the arrangement.

14 The requirements of clauses (i) and (ii) of para-
15 graph (12)(D) shall be met with respect to the
16 notices described in clauses (ii) and (iii) of this
17 subparagraph.”.

18 (b) MATCHING CONTRIBUTIONS.—Section 401(m)
19 (relating to nondiscrimination test for matching contribu-
20 tions and employee contributions) is amended by redesign-
21 ating paragraph (12) as paragraph (13) and by inserting
22 after paragraph (11) the following new paragraph:

23 “(12) ALTERNATIVE METHOD FOR AUTOMATIC
24 CONTRIBUTION TRUSTS.—

1 “(A) IN GENERAL.—A defined contribution
2 plan shall be treated as meeting the require-
3 ments of paragraph (2) with respect to match-
4 ing contributions if the plan—

5 “(i) meets the contribution require-
6 ments of subparagraphs (B)(i) and (D) of
7 subsection (k)(13),

8 “(ii) meets the participation require-
9 ments of subsection (k)(13)(C),

10 “(iii) meets the vesting and notice re-
11 quirements of subparagraphs (E) and (F)
12 of subsection (k)(13), and

13 “(iv) meets the requirements of para-
14 graph (11)(B).

15 “(B) MATCHING CONTRIBUTIONS.—An an-
16 nuity contract under section 403(b) shall be
17 treated as meeting the requirements of para-
18 graph (2) with respect to matching contribu-
19 tions if such contract meets requirements simi-
20 lar to the requirements under subparagraph
21 (A).”.

22 (c) EXCLUSION FROM DEFINITION OF TOP-HEAVY
23 PLANS.—Paragraph (4) of section 416(d) (relating to
24 other special rules for top-heavy plans), as amended by

1 section 104(g), is amended by adding at the end the fol-
2 lowing new subparagraph:

3 “(J) AUTOMATIC CONTRIBUTION TRUST.—

4 The term ‘top-heavy plan’ shall not include an
5 automatic contribution trust under section
6 401(k)(13). Nothing in this subparagraph shall
7 preclude an employer from taking into account
8 contributions made under the automatic con-
9 tribution trust when determining whether any
10 plan of such employer satisfies the requirements
11 of this section.”.

12 (d) DEFINITION OF COMPENSATION.—

13 (1) IN GENERAL.—Paragraph (9) of section
14 401(k) is amended to read as follows:

15 “(9) COMPENSATION.—

16 “(A) IN GENERAL.—Except as provided in
17 subparagraph (B), for purposes of this section,
18 the term ‘compensation’ has the meaning given
19 such term by section 414(s).

20 “(B) USE OF BASE PAY.—For purposes of
21 paragraph (12)(B), the term ‘compensation’
22 means the definition of compensation used by
23 the cash or deferred arrangement if such
24 compensation—

1 “(i) meets the requirements of section
2 414(s), or

3 “(ii) constitutes base pay.

4 “(C) BASE PAY.—For purposes of sub-
5 paragraph (B), the term ‘base pay’ means a
6 reasonable definition of compensation that does
7 not by design favor highly compensated employ-
8 ees and that excludes on a consistent basis all
9 irregular or additional compensation.”.

10 (2) AUTOMATIC CONTRIBUTION TRUSTS.—Para-
11 graph (9)(B) of section 401(k) (as amended by
12 paragraph (1)) is amended by striking “paragraph
13 (12)(B)” and inserting “paragraphs (12)(B),
14 (13)(B), and (13)(D)(i)”.

15 (3) MATCHING CONTRIBUTIONS.—Paragraph
16 (11) of section 401(m) is amended by adding at the
17 end the following:

18 “(C) DEFINITION OF COMPENSATION.—
19 For purposes of subparagraph (B), the term
20 “compensation” has the meaning given such
21 term by subsection (k)(9)(B).”.

22 (e) APPLICATION BY YEAR OR PAYROLL PERIOD.—

23 (1) CASH OR DEFERRED ARRANGEMENTS.—
24 Subparagraph (B) of section 401(k)(12) is amended
25 by adding at the end the following:

1 “(iv) APPLICATION BY YEAR OR PAY-
2 ROLL PERIOD.—The requirements of this
3 subparagraph may be met for a plan year
4 by meeting such requirements either—

5 “(I) with respect to the plan year
6 as a whole, or

7 “(II) separately with respect to
8 each payroll period (or other payment
9 of compensation) taken into account
10 under the arrangement for the plan
11 year.”.

12 (2) DEFINED CONTRIBUTION PLANS.—Para-
13 graph (11) of section 401(m) (as amended by this
14 section) is amended by adding at the end the fol-
15 lowing:

16 “(D) APPLICATION BY YEAR OR PAYROLL
17 PERIOD.—The requirements of subparagraph
18 (B) may be met for a plan year by meeting
19 such requirements either—

20 “(i) with respect to the plan year as
21 a whole, or

22 “(ii) separately with respect to each
23 payroll period (or other payment of com-
24 pensation) taken into account under the
25 plan for the plan year.”.

1 (f) SECTION 403(b) CONTRACTS.—Paragraph (11) of
2 section 401(m) (as amended by this section) is amended
3 by adding at the end the following:

4 “(E) SECTION 403(B) CONTRACTS.—An an-
5 nuity contract under section 403(b) shall be
6 treated as meeting the requirements of para-
7 graph (2) with respect to matching contribu-
8 tions if such contract meets requirements simi-
9 lar to the requirements under subparagraph
10 (A).”.

11 (e) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as provided by para-
13 graph (2), the amendments made by this section
14 shall apply to plan years beginning after December
15 31, 1999.

16 (2) EXCEPTION.—The amendments made by
17 subsections (d)(1), (d)(3), (e), and (f) shall apply to
18 years beginning after December 31, 1998.

19 **SEC. 109. DEDUCTION LIMITS.**

20 (a) IN GENERAL.—

21 (1) STOCK BONUS AND PROFIT SHARING
22 TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i)
23 (relating to stock bonus and profit sharing trusts) is
24 amended by striking “15 percent” and inserting “25
25 percent”.

1 (2) COMPENSATION.—Section 404(a) (relating
2 to general rule) is amended by adding at the end the
3 following:

4 “(12) DEFINITION OF COMPENSATION.—For
5 purposes of paragraphs (3), (7), and (9), the term
6 ‘compensation otherwise paid or accrued during the
7 taxable year’ shall include amounts treated as ‘par-
8 ticipant’s compensation’ under subparagraph (C) or
9 (D) of section 415(c)(3).”.

10 (3) DEFINED CONTRIBUTION PLANS.—Subpara-
11 graph (A) of section 404(a)(3) (relating to stock
12 bonus and profit sharing trusts) is amended by add-
13 ing at the end the following:

14 “(vi) DEFINED CONTRIBUTION PLANS
15 SUBJECT TO THE FUNDING STANDARDS.—
16 Except as provided by the Secretary, for
17 purposes of this subparagraph, a defined
18 contribution plan which is subject to the
19 funding standards of section 412 shall be
20 treated in the same manner as a stock
21 bonus or profit-sharing plan.”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Subparagraph (A) of section 404(a)(3) is
24 amended by striking clause (v) and by redesignating

1 clause (vi) (as added by subsection (a)(3) of this sec-
2 tion) as clause (v).

3 (2) Subparagraph (B) of section 404(a)(3) is
4 amended by striking the last sentence thereof.

5 (3) Subparagraph (D) of section 404(a)(8) is
6 amended by striking the period at the end and in-
7 serting the following: “, except that such earned in-
8 come shall be adjusted under rules similar to the
9 rules of paragraph (12).”.

10 (4) Subparagraph (C) of section 404(h)(1) is
11 amended by striking “15 percent” each place it ap-
12 pears and inserting “25 percent”.

13 (5) Paragraph (2) of section 404(h) is amended
14 by striking “stock bonus or profit-sharing trust” and
15 inserting “trust subject to subsection (a)(3)(A)”.

16 (6) Clause (i) of section 4972(c)(6)(B) is
17 amended by striking “(within the meaning of section
18 404(a))” and inserting “(within the meaning of sec-
19 tion 404(a) and as adjusted under section
20 404(a)(12))”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to years beginning after December
23 31, 1999.

1 **SEC. 110. OPTION TO TREAT ELECTIVE DEFERRALS AS**
2 **AFTER-TAX CONTRIBUTIONS.**

3 (a) IN GENERAL.—Subpart A of part I of subchapter
4 D of chapter 1 (relating to deferred compensation, etc.)
5 is amended by inserting after section 402 the following
6 new section:

7 **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFER-**
8 **RALS AS PLUS CONTRIBUTIONS.**

9 “(a) GENERAL RULE.—If an applicable retirement
10 plan includes a qualified plus contribution program—

11 “(1) any designated plus contribution made by
12 an employee pursuant to the program shall be treat-
13 ed as an elective deferral for purposes of this chap-
14 ter, except that such contribution shall not be ex-
15 cludable from gross income, and

16 “(2) such plan (and any arrangement which is
17 part of such plan) shall not be treated as failing to
18 meet any requirement of this chapter solely by rea-
19 son of including such program.

20 “(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—
21 For purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified plus
23 contribution program’ means a program under which
24 an employee may elect to make designated plus con-
25 tributions in lieu of all or a portion of elective defer-

1 rals the employee is otherwise eligible to make under
2 the applicable retirement plan.

3 “(2) SEPARATE ACCOUNTING REQUIRED.—A
4 program shall not be treated as a qualified plus con-
5 tribution program unless the applicable retirement
6 plan—

7 “(A) establishes separate accounts (‘des-
8 ignated plus accounts’) for the designated plus
9 contributions of each employee and any earn-
10 ings properly allocable to the contributions, and

11 “(B) maintains separate recordkeeping
12 with respect to each account.

13 “(c) DEFINITIONS AND RULES RELATING TO DES-
14 IGNATED PLUS CONTRIBUTIONS.—For purposes of this
15 section—

16 “(1) DESIGNATED PLUS CONTRIBUTION.—The
17 term ‘designated plus contribution’ means any elec-
18 tive deferral which—

19 “(A) is excludable from gross income of an
20 employee without regard to this section, and

21 “(B) the employee designates (at such time
22 and in such manner as the Secretary may pre-
23 scribe) as not being so excludable.

24 “(2) DESIGNATION LIMITS.—The amount of
25 elective deferrals which an employee may designate

1 under paragraph (1) shall not exceed the excess (if
2 any) of—

3 “(A) the maximum amount of elective de-
4 ferrals excludable from gross income of the em-
5 ployee for the taxable year (without regard to
6 this section), over

7 “(B) the aggregate amount of elective de-
8 ferrals of the employee for the taxable year
9 which the employee does not designate under
10 paragraph (1).

11 “(3) ROLLOVER CONTRIBUTIONS.—

12 “(A) IN GENERAL.—A rollover contribu-
13 tion of any payment or distribution from a des-
14 ignated plus account which is otherwise allow-
15 able under this chapter may be made only if the
16 contribution is to—

17 “(i) another designated plus account
18 of the individual from whose account the
19 payment or distribution was made, or

20 “(ii) a Roth IRA of such individual.

21 “(B) COORDINATION WITH LIMIT.—Any
22 rollover contribution to a designated plus ac-
23 count under subparagraph (A) shall not be
24 taken into account for purposes of paragraph
25 (1).

1 “(d) DISTRIBUTION RULES.—For purposes of this
2 title—

3 “(1) EXCLUSION.—Any qualified distribution
4 from a designated plus account shall not be includ-
5 ible in gross income.

6 “(2) QUALIFIED DISTRIBUTION.—For purposes
7 of this subsection—

8 “(A) IN GENERAL.—The term ‘qualified
9 distribution’ has the meaning given such term
10 by section 408A(d)(2)(A).

11 “(B) DISTRIBUTIONS WITHIN NONEXCLU-
12 SION PERIOD.—A payment or distribution from
13 a designated plus account shall not be treated
14 as a qualified distribution if such payment or
15 distribution is made within the 5-taxable-year
16 period beginning with the earlier of—

17 “(i) the earlier of—

18 “(I) the 1st taxable year for
19 which the individual made a des-
20 ignated plus contribution to any des-
21 ignated plus account established for
22 such individual under the same appli-
23 cable retirement plan, or

24 “(II) if a rollover contribution
25 was made to such designated plus ac-

1 count from a designated plus account
2 previously established for such indi-
3 vidual under another applicable retire-
4 ment plan, the 1st taxable year for
5 which the individual made a des-
6 ignated plus contribution to such pre-
7 viously established account), or

8 “(ii) the 1st taxable year for which
9 the individual (or the individual’s spouse)
10 made a contribution to a Roth IRA estab-
11 lished for such individual.

12 “(C) DISTRIBUTIONS OF EXCESS DEFER-
13 RALS AND EARNINGS.—The term ‘qualified dis-
14 tribution’ shall not include any distribution of
15 any excess deferral under section 402(g)(2) and
16 any income on the excess deferral.

17 “(3) AGGREGATION RULES.—Section 72 shall
18 be applied separately with respect to distributions
19 and payments from a designated plus account and
20 other distributions and payments from the plan.

21 “(e) OTHER DEFINITIONS.—For purposes of this
22 section—

23 “(1) APPLICABLE RETIREMENT PLAN.—The
24 term ‘applicable retirement plan’ means—

1 “(A) an employees’ trust described in sec-
2 tion 401(a) which is exempt from tax under
3 section 501(a), and

4 “(B) a plan under which amounts are con-
5 tributed by an individual’s employer for an an-
6 nuity contract described in section 403(b).

7 “(2) ELECTIVE DEFERRAL.—The term ‘elective
8 deferral’ means any elective deferral described in
9 subparagraph (A) or (C) of section 402(g)(3).”

10 (b) EXCESS DEFERRALS.—Section 402(g) (relating
11 to limitation on exclusion for elective deferrals) is
12 amended—

13 (1) by adding at the end of paragraph (1) the
14 following new sentence: “The preceding sentence
15 shall not apply to so much of such excess as does
16 not exceed the designated plus contributions of the
17 individual for the taxable year.”, and

18 (2) by inserting “(or would be included but for
19 the last sentence thereof)” after “paragraph (1)” in
20 paragraph (2)(A).

21 (c) ROLLOVERS.—Subparagraph (B) of section
22 402(c)(7) (as amended by sections 301 and 302) is
23 amended by adding at the end the following:

24 “Without regard to the foregoing provisions of
25 this paragraph, if any portion of an eligible roll-

1 over distribution is attributable to payments or
2 distributions from a designated plus account (as
3 defined in section 402A), an eligible retirement
4 plan with respect to such portion shall include
5 only another designated plus account and a
6 Roth IRA.”

7 (d) REPORTING REQUIREMENTS.—

8 (1) W-2 INFORMATION.—Section 6051(a)(8) is
9 amended by inserting “, including the amount of
10 designated plus contributions (as defined in section
11 402A)” before the comma at the end.

12 (2) INFORMATION.—Section 6047 is amended
13 by redesignating subsection (f) as subsection (g) and
14 by inserting after subsection (e) the following new
15 subsection:

16 “(f) DESIGNATED PLUS CONTRIBUTIONS.—The Sec-
17 retary shall require the plan administrator of each applica-
18 ble retirement plan (as defined in section 402A) to make
19 such returns and reports regarding designated plus con-
20 tributions (as so defined) to the Secretary, participants
21 and beneficiaries of the plan, and such other persons as
22 the Secretary may prescribe.”

23 (e) CONFORMING AMENDMENTS.—

24 (1) Section 408A(e) is amended by adding after
25 the first sentence the following new sentence: “Such

1 term includes a rollover contribution described in
2 section 402A(c)(3)(A).”

3 (2) The table of sections for subpart A of part
4 I of subchapter D of chapter 1 is amended by insert-
5 ing after the item relating to section 402 the fol-
6 lowing new item:

“Sec. 402A. Optional treatment of elective deferrals as plus contributions.”

7 (f) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2000.

10 **SEC. 111. CREDIT FOR PENSION PLAN STARTUP COSTS OF**
11 **SMALL EMPLOYERS.**

12 (a) IN GENERAL.—Subpart D of part IV of sub-
13 chapter A of chapter 1 (relating to business related cred-
14 its) is amended by adding at the end the following new
15 section:

16 **“SEC. 45D. SMALL EMPLOYER PENSION PLAN STARTUP**
17 **COSTS.**

18 “(a) GENERAL RULE.—For purposes of section 38,
19 in the case of an eligible employer, the small employer pen-
20 sion plan startup cost credit determined under this section
21 for any taxable year is an amount equal to 50 percent
22 of the qualified startup costs paid or incurred by the tax-
23 payer during the taxable year.

1 “(b) DOLLAR LIMITATION.—The amount of the cred-
2 it determined under this section for any taxable year shall
3 not exceed—

4 “(1) \$1,000 for the first credit year,

5 “(2) \$500 for each of the 2 taxable years imme-
6 diately following the first credit year, and

7 “(3) zero for any other taxable year.

8 “(c) ELIGIBLE EMPLOYER.—For purposes of this
9 section—

10 “(1) IN GENERAL.—The term ‘eligible em-
11 ployer’ has the meaning given such term by section
12 408(p)(2)(C)(i).

13 “(2) EMPLOYERS MAINTAINING QUALIFIED
14 PLANS DURING 1998 NOT ELIGIBLE.—Such term
15 shall not include an employer if such employer (or
16 any predecessor employer) maintained a qualified
17 plan (as defined in section 408(p)(2)(D)(ii)) with re-
18 spect to which contributions were made, or benefits
19 were accrued, for service in 1998. If only individuals
20 other than employees described in subparagraph (A)
21 of section 410(b)(3) are eligible to participate in the
22 qualified employer plan referred to in subsection
23 (d)(1), then the preceding sentence shall be applied
24 without regard to any qualified plan in which only
25 employees so described are eligible to participate.

1 “(d) OTHER DEFINITIONS.—For purposes of this
2 section—

3 “(1) QUALIFIED STARTUP COSTS.—

4 “(A) IN GENERAL.—The term ‘qualified
5 startup costs’ means any ordinary and nec-
6 essary expenses of an eligible employer which
7 are paid or incurred in connection with—

8 “(i) the establishment or administra-
9 tion of an eligible employer plan, or

10 “(ii) the retirement-related education
11 of employees with respect to such plan.

12 “(B) PLAN MUST HAVE AT LEAST 2 PAR-
13 TICIPANTS.—Such term shall not include any
14 expense in connection with a plan that does not
15 have at least 2 individuals who are eligible to
16 participate.

17 “(C) PLAN MUST BE ESTABLISHED BE-
18 FORE JANUARY 1, 2002.—Such term shall not
19 include any expense in connection with a plan
20 established after December 31, 2001.

21 “(2) ELIGIBLE EMPLOYER PLAN.—The term
22 ‘eligible employer plan’ means a qualified employer
23 plan within the meaning of section 4972(d).

24 “(3) FIRST CREDIT YEAR.—The term ‘first
25 credit year’ means—

1 “(A) the taxable year which includes the
2 date that the eligible employer plan to which
3 such costs relate becomes effective, or

4 “(B) at the election of the eligible em-
5 ployer, the taxable year preceding the taxable
6 year referred to in subparagraph (A).

7 “(e) SPECIAL RULES.—For purposes of this
8 section—

9 “(1) AGGREGATION RULES.—All persons treat-
10 ed as a single employer under subsection (a) or (b)
11 of section 52, or subsection (n) or (o) of section 414,
12 shall be treated as one person. All eligible employer
13 plans shall be treated as 1 eligible employer plan.

14 “(2) DISALLOWANCE OF DEDUCTION.—No de-
15 duction shall be allowed for that portion of the quali-
16 fied startup costs paid or incurred for the taxable
17 year which is equal to the credit determined under
18 subsection (a).

19 “(3) ELECTION NOT TO CLAIM CREDIT.—This
20 section shall not apply to a taxpayer for any taxable
21 year if such taxpayer elects to have this section not
22 apply for such taxable year.”

23 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
24 NESS CREDIT.—Section 38(b) (defining current year busi-
25 ness credit) is amended by striking “plus” at the end of

1 paragraph (11), by striking the period at the end of para-
2 graph (12) and inserting “, plus”, and by adding at the
3 end the following new paragraph:

4 “(13) in the case of an eligible employer (as de-
5 fined in section 45D(c)), the small employer pension
6 plan startup cost credit determined under section
7 45D(a).”

8 (c) CONFORMING AMENDMENTS.—

9 (1) Section 39(d) is amended by adding at the
10 end the following new paragraph:

11 “(8) NO CARRYBACK OF SMALL EMPLOYER
12 PENSION PLAN STARTUP COST CREDIT BEFORE EF-
13 FECTIVE DATE.—No portion of the unused business
14 credit for any taxable year which is attributable to
15 the small employer pension plan startup cost credit
16 determined under section 45D may be carried back
17 to a taxable year ending on or before the date of the
18 enactment of section 45D.”

19 (2) Subsection (c) of section 196 is amended by
20 striking “and” at the end of paragraph (7), by strik-
21 ing the period at the end of paragraph (8) and in-
22 serting “, and”, and by adding at the end the fol-
23 lowing new paragraph:

24 “(9) the small employer pension plan startup
25 cost credit determined under section 45D(a).”

1 (3) The table of sections for subpart D of part
2 IV of subchapter A of chapter 1 is amended by add-
3 ing at the end the following new item:

“Sec. 45D. Small employer pension plan startup costs.”

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to costs paid or incurred in taxable
6 years ending after the date of the enactment of this Act.

7 **TITLE II—ENHANCING FAIRNESS**
8 **FOR WOMEN AND CHILDREN**

9 **SEC. 201. ADDITIONAL SALARY REDUCTION CATCH-UP CON-**
10 **TRIBUTIONS.**

11 (a) LIMITATION ON EXCLUSION FOR ELECTIVE DE-
12 FERRALS.—

13 (1) IN GENERAL.—Subsection (g) of section
14 402 (as amended by section 101(d)) is further
15 amended by adding at the end the following:

16 “(9) CATCH-UP CONTRIBUTIONS FOR THOSE
17 APPROACHING RETIREMENT.—In the case of an indi-
18 vidual who has attained age 50 during any taxable
19 year, the limitation of paragraph (1) for such year,
20 after the application of paragraph (8), shall be in-
21 creased by \$5,000.”.

22 (2) COST-OF-LIVING ADJUSTMENT.—Paragraph
23 (4) of section 402(g) (relating to cost-of-living ad-
24 justment), as amended by section 101(d), is further

1 amended by inserting “and the \$5,000 amount
2 under paragraph (9)” after “paragraph (1)”.

3 (b) SIMPLE RETIREMENT ACCOUNTS.—

4 (1) IN GENERAL.—Paragraph (2) of section
5 408(p) (relating to qualified salary reduction ar-
6 rangement) (as amended by sections 101(f) and
7 103(a)) is further amended by redesignating sub-
8 paragraph (F) as subparagraph (G) and by inserting
9 after subparagraph (E) the following new subpara-
10 graph:

11 “(F) CATCH-UP CONTRIBUTIONS FOR
12 THOSE APPROACHING RETIREMENT.—In the
13 case of an individual who has attained age 50
14 during any taxable year, the limitation of sub-
15 paragraph (A)(ii) for such year shall be in-
16 creased by \$5,000.”.

17 (2) COST-OF-LIVING ADJUSTMENT.—Subpara-
18 graph (G) of section 408(p)(2) (as so redesignated)
19 is amended by inserting “and the \$5,000 amount
20 under subparagraph (F)” after “subparagraph
21 (A)(ii)”.

22 (c) DEFERRED COMPENSATION PLANS OF STATE
23 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
24 ZATIONS.—

1 (1) IN GENERAL.—Subsection (b) of section
2 457 (relating to definition of eligible deferred com-
3 pensation plan) is amended by adding at the end the
4 following new paragraph:

5 “(7) CATCH-UP CONTRIBUTIONS FOR THOSE
6 APPROACHING RETIREMENT.—In the case of an indi-
7 vidual who has attained age 50 during any taxable
8 year, the limitation of paragraph (2)(A) for such
9 year shall be increased by \$5,000.”.

10 (2) COST-OF-LIVING ADJUSTMENT.—Paragraph
11 (15) of section 457(e) (relating to cost-of-living ad-
12 justment) is amended by inserting “, and the \$5,000
13 amount specified in subsection (b)(7),” after
14 “(c)(1)”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to years beginning after December
17 31, 1999.

18 **SEC. 202. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**
19 **EMPLOYEES TO DEFINED CONTRIBUTION**
20 **PLANS.**

21 (a) IN GENERAL.—

22 (1) Subparagraph (B) of section 415(c)(1) (re-
23 lating to limitation for defined contribution plans) is
24 amended to read as follows:

25 “(B) the participant’s compensation.”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) Subsection (f) of section 72 is amend-
3 ed by striking “section 403(b)(2)(D)(iii))” and
4 inserting “section 403(b)(2)(D)(iii), as in effect
5 on December 31, 1998”).

6 (B) Section 403(b) is amended—

7 (i) by striking “the exclusion allow-
8 ance for such taxable year” in paragraph
9 (1) and inserting “the applicable limit
10 under section 415”,

11 (ii) by striking paragraph (2), and

12 (iii) by inserting “or any amount re-
13 ceived by a former employee after the 5th
14 taxable year following the taxable year in
15 which such employee was terminated” be-
16 fore the period at the end of the second
17 sentence of paragraph (3).

18 (C) Section 404(a)(10)(B) is amended by
19 striking “, the exclusion allowance under sec-
20 tion 403(b)(2),”.

21 (D) Section 415(a)(2) is amended by strik-
22 ing “, and the amount of the contribution for
23 such portion shall reduce the exclusion allow-
24 ance as provided in section 403(b)(2)”.

1 (E) Section 415(c)(3) is amended by add-
2 ing at the end the following new subparagraph:

3 “(E) ANNUITY CONTRACTS.—In the case
4 of an annuity contract described in section
5 403(b), the term ‘participant’s compensation’
6 means the participant’s includible compensation
7 determined under section 403(b)(3).”.

8 (F) Section 415(c) is amended by striking
9 paragraph (4).

10 (G) Section 415(c)(7) is amended to read
11 as follows:

12 “(7) CERTAIN CONTRIBUTIONS BY CHURCH
13 PLANS NOT TREATED AS EXCEEDING LIMIT.—

14 “(A) IN GENERAL.—Notwithstanding any
15 other provision of this subsection, at the elec-
16 tion of a participant who is an employee of a
17 church, a convention or association of churches,
18 including an organization described in section
19 414(e)(3)(B)(ii), contributions and other addi-
20 tions for an annuity contract or retirement in-
21 come account described in section 403(b) with
22 respect to such participant, when expressed as
23 an annual addition to such participant’s ac-
24 count, shall be treated as not exceeding the lim-

1 itation of paragraph (1) if such annual addition
2 is not in excess of \$10,000.

3 “(B) \$40,000 AGGREGATE LIMITATION.—
4 The total amount of additions with respect to
5 any participant which may be taken into ac-
6 count for purposes of this subparagraph for all
7 years may not exceed \$40,000.

8 “(C) ANNUAL ADDITION.—For purposes of
9 this paragraph, the term ‘annual addition’ has
10 the meaning given such term by paragraph
11 (2).”.

12 (H) Section 415(e)(5) is amended—

13 (i) by striking “(except in the case of
14 a participant who has elected under sub-
15 section (c)(4)(D) to have the provisions of
16 subsection (c)(4)(C) apply)”, and

17 (ii) by striking the last sentence.

18 (I) Section 415(n)(2)(B) is amended by
19 striking “percentage”.

20 (J) Subparagraph (B) of section 402(g)(7)
21 (as amended by section 101(d)) is amended by
22 inserting before the period at the end the fol-
23 lowing: “(as in effect on the date of the enact-
24 ment of the Retirement Security for the 21st
25 Century Act)”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to years beginning
3 after December 31, 1999.

4 (b) SPECIAL RULES FOR SECTIONS 403(b) AND
5 408.—

6 (1) IN GENERAL.—Subsection (k) of section
7 415 is amended by adding at the end the following
8 new paragraph:

9 “(4) SPECIAL RULES FOR SECTIONS 403(b) AND
10 408.—For purposes of this section, any annuity con-
11 tract described in section 403(b) for the benefit of
12 a participant shall be treated as a defined contribu-
13 tion plan maintained by each employer with respect
14 to which the participant has the control required
15 under subsection (b) or (c) of section 414 (as modi-
16 fied by subsection (h)). For purposes of this section,
17 any contribution by an employer to a simplified em-
18 ployee pension plan for an individual for a taxable
19 year shall be treated as an employer contribution to
20 a defined contribution plan for such individual for
21 such year.”.

22 (2) EFFECTIVE DATE.—The amendment made
23 by paragraph (1) shall apply to limitation years be-
24 ginning after December 31, 1999.

1 (c) DEFERRED COMPENSATION PLANS OF STATE
2 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
3 ZATIONS.—Subparagraph (B) of section 457(b)(2) (relat-
4 ing to salary limitation on eligible deferred compensation
5 plans) is amended by striking “33 $\frac{1}{3}$ percent” and insert-
6 ing “100 percent”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to years beginning after December
9 31, 1999.

10 **SEC. 203. FASTER VESTING OF CERTAIN EMPLOYER**
11 **MATCHING CONTRIBUTIONS.**

12 (a) AMENDMENTS TO 1986 CODE.—Section 411(a)
13 (relating to minimum vesting standards) is amended—

14 (1) in paragraph (2), by striking “A plan” and
15 inserting “Except as provided in paragraph (12), a
16 plan”, and

17 (2) by adding at the end the following:

18 “(12) FASTER VESTING FOR MATCHING CON-
19 TRIBUTIONS.—In the case of matching contributions
20 (as defined in section 401(m)(4)(A)), paragraph (2)
21 shall be applied—

22 “(A) by substituting ‘3 years’ for ‘5 years’
23 in subparagraph (A), and

24 “(B) by substituting the following table for
25 the table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.”.

1 (b) EFFECTIVE DATES.—

2 (1) IN GENERAL.—Except as provided in para-
3 graph (2), the amendments made by this section
4 shall apply to contributions for plan years beginning
5 after December 31, 1999.

6 (2) COLLECTIVE BARGAINING AGREEMENTS.—
7 In the case of a plan maintained pursuant to 1 or
8 more collective bargaining agreements between em-
9 ployee representatives and 1 or more employers rati-
10 fied by the date of enactment of this Act, the
11 amendments made by this section shall not apply to
12 contributions on behalf of employees covered by any
13 such agreement for plan years beginning before the
14 earlier of—

15 (A) the later of—

16 (i) the date on which the last of such
17 collective bargaining agreements termi-
18 nates (determined without regard to any
19 extension thereof on or after such date of
20 enactment), or

21 (ii) January 1, 2000, or

22 (B) January 1, 2004.

1 (3) SERVICE REQUIRED.—With respect to any
2 plan, the amendments made by this section shall not
3 apply to any employee before the date that such em-
4 ployee has 1 hour of service under such plan in any
5 plan year to which the amendments made by this
6 section apply.

7 ***ERR11*SEC. 204. DEFERRED ANNUITIES FOR SURVIVING**
8 **SPOUSES OF FEDERAL EMPLOYEES.**

9 *ERR11* (a) IN GENERAL.—Section 8341 of title 5,
10 United States Code, is amended—

11 (1) in subsection (h)(1), by striking “section
12 8338(b) of this title” and inserting “section
13 8338(b), and a former spouse of a deceased former
14 employee who separated from the service with title
15 to a deferred annuity under section 8338 (if they
16 were married to one another prior to the date of sep-
17 aration),”; and

18 (2) by adding at the end the following:

19 “(j)(1) If a former employee dies after having sepa-
20 rated from the service with title to a deferred annuity
21 under section 8338 but before having established a valid
22 claim for annuity, and is survived by a spouse to whom
23 married on the date of separation, the surviving spouse
24 may elect to receive—

1 “(A) an annuity, commencing on what would
2 have been the former employee’s 62d birthday, equal
3 to 55 percent of the former employee’s deferred an-
4 nuity;

5 “(B) an annuity, commencing on the day after
6 the date of death of the former employee, such that,
7 to the extent practicable, the present value of the fu-
8 ture payments of the annuity would be actuarially
9 equivalent to the present value of the future pay-
10 ments under subparagraph (A) as of the day after
11 the former employee’s death; or

12 “(C) the lump-sum credit, if the surviving
13 spouse is the individual who would be entitled to the
14 lump-sum credit and if such surviving spouse files
15 application therefor.

16 “(2) An annuity under this subsection and the right
17 thereto terminate on the last day of the month before the
18 surviving spouse remarries before becoming 55 years of
19 age, or dies.”.

20 (b) CORRESPONDING AMENDMENT FOR FERS.—
21 Section 8445(a) of title 5, United States Code, is
22 amended—

23 (1) by striking “(or of a former employee or”
24 and inserting “(or of a former”; and

1 (2) by striking “annuity)” and inserting “annu-
2 ity, or of a former employee who dies after having
3 separated from the service with title to a deferred
4 annuity under section 8413 but before having estab-
5 lished a valid claim for annuity (if such former
6 spouse was married to such former employee prior
7 to the date of separation))”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply with respect to surviving spouses
10 and former spouses (whose marriage, in the case of the
11 amendments made by subsection (a), terminated after
12 May 6, 1985) of former employees who die after the date
13 of the enactment of this Act.

14 **SEC. 205. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.**
15

16 (a) SIMPLIFICATION AND FINALIZATION OF MIN-
17 IMUM DISTRIBUTION REQUIREMENTS.—

18 (1) IN GENERAL.—The Secretary of the Treas-
19 ury shall—

20 (A) simplify and finalize the regulations re-
21 lating to minimum distribution requirements
22 under sections 401(a)(9), 408(a)(6) and (b)(3),
23 403(b)(10), and 457(d)(2) of the Internal Rev-
24 enue Code of 1986, and

25 (B) modify such regulations to—

1 (i) reflect increases in life expectancy,
2 and

3 (ii) revise the required distribution
4 methods so that, under reasonable assump-
5 tions, the amount of the required minimum
6 distribution does not decrease over a par-
7 ticipant's life expectancy.

8 (2) FRESH START.—Notwithstanding subpara-
9 graph (D) of section 401(a)(9) of such Code, during
10 the first year that regulations are in effect under
11 this subsection, required distributions for future
12 years may be redetermined to reflect changes under
13 such regulations. Such redetermination shall include
14 the opportunity to choose a new designated bene-
15 ficiary and to elect a new method of calculating life
16 expectancy.

17 (3) EFFECTIVE DATE FOR REGULATIONS.—
18 Regulations referred to in paragraph (1) shall be ef-
19 fective for years beginning after December 31, 2000,
20 and shall apply in such years without regard to
21 whether an individual had previously begun receiving
22 minimum distributions.

23 (b) AMOUNT NOT SUBJECT TO MINIMUM DISTRIBU-
24 TION REQUIREMENTS.—Paragraph (9) of section 401(a)
25 is amended—

1 (1) in subparagraph (A), by inserting “(minus
2 the exclusion amount)” after “the entire interest”;
3 and

4 (2) by adding at the end the following:

5 “(H) EXCLUSION AMOUNT.—

6 “(i) IN GENERAL.—For purposes of
7 this paragraph, the term ‘exclusion
8 amount’ means—

9 “(I) \$100,000 in the case of a
10 defined contribution plan;

11 “(II) \$100,000 in the case of an
12 individual retirement plan; and

13 “(III) \$0 in the case of a defined
14 benefit plan.

15 “(ii) AGGREGATION OF PLANS.—For
16 purposes of determining the exclusion
17 amount under clause (i)—

18 “(I) all defined contribution
19 plans maintained by the same em-
20 ployer shall be treated as a single
21 plan; and

22 “(II) all individual retirement
23 plans (other than Roth IRAs) of the
24 individual shall be treated as a single
25 plan.

1 “(iii) COST-OF-LIVING ADJUST-
2 MENT.—The Secretary shall adjust the
3 \$100,000 exclusion amount specified in
4 clause (i) at the same time and in the
5 same manner as under section 415(d), ex-
6 cept that the base period shall be the cal-
7 endar quarter ending September 30,
8 1999.”.

9 (3) EFFECTIVE DATE.—The amendments made
10 by this subsection shall apply to years beginning
11 after December 31, 2000.

12 (c) REPEAL OF RULE WHERE DISTRIBUTIONS HAD
13 BEGUN BEFORE DEATH OCCURS.—

14 (1) IN GENERAL.—Subparagraph (B) of section
15 401(a)(9) is amended by striking clause (i) and re-
16 designating clauses (ii), (iii), and (iv) as clauses (i),
17 (ii), and (iii), respectively.

18 (2) CONFORMING CHANGES.—

19 (A) Clause (i) of section 401(a)(9)(B) (as
20 so redesignated) is amended—

21 (i) by striking “FOR OTHER CASES” in
22 the heading, and

23 (ii) by striking “the distribution of the
24 employee’s interest has begun in accord-
25 ance with subparagraph (A)(ii)” and in-

1 serting “his entire interest has been dis-
2 tributed to him,”.

3 (B) Clause (ii) of section 401(a)(9)(B) (as
4 so redesignated) is amended by striking “clause
5 (ii)” and inserting “clause (i)”.

6 (C) Clause (iii) of section 401(a)(9)(B)(iii)
7 (as so redesignated) is amended—

8 (i) by striking “clause (iii)(I)” and in-
9 serting “clause (ii)(I)”,

10 (ii) in subclause (I) by striking
11 “clause (iii)(III)” and inserting “clause
12 (ii)(III)”,

13 (iii) in subclause (I) by striking “the
14 date on which the employee would have at-
15 tained the age 70½,” and inserting “April
16 1 of the calendar year following the cal-
17 endar year in which the spouse attains
18 70½, and clause (ii) shall not apply to the
19 exclusion amount,” and

20 (iv) in subclause (II) by striking “the
21 distributions to such spouse begin,” and
22 inserting “his entire interest has been dis-
23 tributed to him,”.

1 (3) REDUCTION IN EXCISE TAX.—Subsection
2 (a) of section 4974 is amended by striking “50 per-
3 cent” and inserting “10 percent”.

4 (4) EFFECTIVE DATE.—

5 (A) IN GENERAL.—Except as provided by
6 subparagraph (B), the amendments made by
7 this subsection shall apply to years beginning
8 after December 31, 2000.

9 (B) EXCISE TAX.—The amendment made
10 by paragraph (3) shall apply to years beginning
11 after December 31, 1999.

12 **SEC. 206. CLARIFICATION OF TAX TREATMENT OF DIVISION**
13 **OF SECTION 457 PLAN BENEFITS UPON DI-**
14 **VORCE.**

15 (a) IN GENERAL.—Section 414(p)(11) (relating to
16 application of rules to governmental and church plans) is
17 amended—

18 (1) by inserting “or an eligible deferred com-
19 pensation plan (within the meaning of section
20 457(b))” after “subsection (e))”, and

21 (2) in the heading, by striking “GOVERN-
22 MENTAL AND CHURCH PLANS” and inserting “CER-
23 TAIN OTHER PLANS”.

24 (b) WAIVER OF CERTAIN DISTRIBUTION REQUIRE-
25 MENTS.—Paragraph (10) of section 414(p) is amended by

1 striking “and section 409(d)” and inserting “section
2 409(d), and section 457(d)”.

3 (c) TAX TREATMENT OF PAYMENTS FROM A SEC-
4 TION 457 PLAN.—Subsection (p) of section 414 is amend-
5 ed by redesignating paragraph (12) as paragraph (13) and
6 inserting after paragraph (11) the following new para-
7 graph:

8 “(12) TAX TREATMENT OF PAYMENTS FROM A
9 SECTION 457 PLAN.—If a distribution or payment
10 from an eligible deferred compensation plan de-
11 scribed in section 457(b) is made pursuant to a
12 qualified domestic relations order, rules similar to
13 the rules of section 402(e)(1)(A) shall apply to such
14 distribution or payment.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to transfers, distributions, and
17 payments made after the date of enactment of this Act.

18 **SEC. 207. PERCENTAGE LIMITATIONS ON CONTRIBUTIONS.**

19 (a) AMENDMENTS RELATING TO FERS.—

20 (1) IN GENERAL.—

21 (A) Subsection (a) of section 8432 of title
22 5, United States Code, is amended by striking
23 “10 percent of”.

24 (B) Subsection (d) of section 8432 of title
25 5, United States Code, is amended by striking

1 “section 415” and inserting “section
2 401(a)(30) or 415”.

3 (2) JUSTICES AND JUDGES.—Subsection (b) of
4 section 8440a of title 5, United States Code, is
5 amended—

6 (A) by striking paragraph (2) and by re-
7 designating paragraphs (3) through (7) as
8 paragraphs (2) through (6), respectively; and

9 (B) in paragraph (6) (as so redesignated
10 by subparagraph (A)) by striking “paragraphs
11 (4) and (5)” and inserting “paragraphs (3) and
12 (4)”.

13 (3) BANKRUPTCY JUDGES AND MAG-
14 ISTRATES.—Subsection (b) of section 8440b of title
15 5, United States Code, is amended—

16 (A) by striking paragraph (2) and by re-
17 designating paragraphs (3) through (8) as
18 paragraphs (2) through (7), respectively;

19 (B) in paragraph (4) (as so redesignated
20 by subparagraph (A)) by striking “paragraph
21 (4)(A), (B), or (C)” and inserting “paragraph
22 (3)(A), (B), or (C)”; and

23 (C) in paragraph (7) (as so redesignated
24 by subparagraph (A)) by striking “Notwith-

1 standing paragraph (4),” and inserting “Not-
2 withstanding paragraph (3),”.

3 (4) COURT OF FEDERAL CLAIMS JUDGES.—
4 Subsection (b) of section 8440c of title 5, United
5 States Code, is amended—

6 (A) by striking paragraph (2) and by re-
7 designating paragraphs (3) through (8) as
8 paragraphs (2) through (7), respectively;

9 (B) in paragraph (4) (as so redesignated
10 by subparagraph (A)) by striking “paragraph
11 (4)(A) or (B)” and inserting “paragraph (3)(A)
12 or (B)”; and

13 (C) in paragraph (7) (as so redesignated
14 by subparagraph (A)) by striking “Notwith-
15 standing paragraph (4),” and inserting “Not-
16 withstanding paragraph (3),”.

17 (5) JUDGES OF THE UNITED STATES COURT OF
18 VETERANS APPEALS.—Paragraph (2) of section
19 8440d(b) of title 5, United States Code, is amended
20 to read as follows:

21 “(2) For purposes of contributions made to the Thrift
22 Savings Fund, basic pay does not include any retired pay
23 paid pursuant to section 7296 of title 38.”.

1 (b) AMENDMENTS RELATING TO CSRS.—Paragraph
2 (2) of section 8351(b) of title 5, United States Code, is
3 amended by striking “5 percent of”.

4 (c) EFFECTIVE DATE.—

5 (1) IN GENERAL.—The amendments made by
6 this section shall take effect on the date of enact-
7 ment of this Act.

8 (2) COORDINATION WITH ELECTION PERI-
9 ODS.—The Executive Director shall by regulation
10 determine the first election period in which elections
11 may be made consistent with the amendments made
12 by this section.

13 (3) DEFINITIONS.—For purposes of this
14 section—

15 (A) the term “election period” means a pe-
16 riod afforded under section 8432(b) of title 5,
17 United States Code; and

18 (B) the term “Executive Director” has the
19 meaning given such term by section 8401(13)
20 of title 5, United States Code.

21 **SEC. 208. ELIGIBLE ROLLOVER DISTRIBUTIONS.**

22 Section 8432 of title 5, United States Code, is
23 amended by adding at the end the following:

24 “(j)(1) For the purpose of this subsection—

1 “(A) the term ‘eligible rollover distribution’ has
2 the meaning given such term by section 402(c)(3) of
3 the Internal Revenue Code of 1986; and

4 “(B) the term ‘eligible retirement plan’ has the
5 meaning given such term by section 402(c)(7) of the
6 Internal Revenue Code of 1986.

7 “(2) An employee or Member may contribute to the
8 Thrift Savings Fund an eligible rollover distribution from
9 an eligible retirement plan. A contribution made under
10 this subsection shall be made by means of a direct rollover
11 from an eligible retirement plan in a manner that is simi-
12 lar to a direct rollover under section 401(a)(31) of the In-
13 ternal Revenue Code of 1986. In the case of an eligible
14 rollover distribution, the maximum amount transferred to
15 the Thrift Savings Fund shall not exceed the amount
16 which would otherwise have been included in the employ-
17 ee’s or Member’s gross income for Federal income tax pur-
18 poses.

19 “(3) The Executive Director shall prescribe regula-
20 tions to carry out this subsection.”.

21 **SEC. 209. IMMEDIATE PARTICIPATION IN THE THRIFT SAV-**
22 **INGS PLAN.**

23 (a) **ELIMINATION OF CERTAIN WAITING PERIODS**
24 **FOR PURPOSES OF EMPLOYEE CONTRIBUTIONS.—Para-**

1 graph (4) of section 8432(b) of title 5, United States
2 Code, is amended to read as follows:

3 “(4) The Executive Director shall prescribe such reg-
4 ulations as may be necessary to carry out the following:

5 “(A) Notwithstanding subparagraph (A) of
6 paragraph (2), an employee or Member described in
7 such subparagraph shall be afforded a reasonable
8 opportunity to first make an election under this sub-
9 section beginning on the date of commencing service
10 or, if that is not administratively feasible, beginning
11 on the earliest date thereafter that such an election
12 becomes administratively feasible, as determined by
13 the Executive Director.

14 “(B) An employee or Member described in sub-
15 paragraph (B) of paragraph (2) shall be afforded a
16 reasonable opportunity to first make an election
17 under this subsection (based on the appointment or
18 election described in such subparagraph) beginning
19 on the date of commencing service pursuant to such
20 appointment or election or, if that is not administra-
21 tively feasible, beginning on the earliest date there-
22 after that such an election becomes administratively
23 feasible, as determined by the Executive Director.

24 “(C) Notwithstanding the preceding provisions
25 of this paragraph, contributions under paragraphs

1 (1) and (2) of subsection (c) shall not be payable
2 with respect to any pay period before the earliest
3 pay period for which such contributions would other-
4 wise be allowable under this subsection if this para-
5 graph had not been enacted.

6 “(D) Sections 8351(a)(2), 8440a(a)(2),
7 8440b(a)(2), 8440c(a)(2), and 8440d(a)(2) shall be
8 applied in a manner consistent with the purposes of
9 subparagraphs (A) and (B), to the extent those sub-
10 paragraphs can be applied with respect thereto.

11 “(E) Nothing in this paragraph shall affect
12 paragraph (3).”.

13 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

14 (1) Section 8432(a) of title 5, United States Code, is
15 amended—

16 (A) in the first sentence by striking “(b)(1)”
17 and inserting “(b)”; and

18 (B) by amending the second sentence to read as
19 follows: “Contributions under this subsection pursu-
20 ant to such an election shall, with respect to each
21 pay period for which such election remains in effect,
22 be made in accordance with a program of regular
23 contributions provided in regulations prescribed by
24 the Executive Director.”.

1 (2) Section 8432(b)(1)(B) of title 5, United States
2 Code, is amended by inserting “(or any election allowable
3 by virtue of paragraph (4))” after “subparagraph (A)”.

4 (3) Section 8432(b)(3) of title 5, United States Code,
5 is amended by striking “Notwithstanding paragraph
6 (2)(A), an” and inserting “An”.

7 (4) Section 8432(i)(1)(B)(ii) of title 5, United States
8 Code, is amended by striking “either elected to terminate
9 individual contributions to the Thrift Savings Fund within
10 2 months before commencing military service or”.

11 (5) Section 8439(a)(1) of title 5, United States Code,
12 is amended by inserting “who makes contributions or”
13 after “for each individual” and by striking “section
14 8432(c)(1)” and inserting “section 8432”.

15 (6) Section 8439(c)(2) of title 5, United States Code,
16 is amended by adding at the end the following: “Nothing
17 in this paragraph shall be considered to limit the dissemi-
18 nation of information only to the times required under the
19 preceding sentence.”.

20 (7) Sections 8440a(a)(2) and 8440d(a)(2) of title 5,
21 United States Code, are amended by striking all after
22 “subject to” and inserting “this chapter.”.

23 (c) EFFECTIVE DATE.—This section shall take effect
24 6 months after the date of enactment of this Act or such
25 earlier date as the Executive Director (within the meaning

1 of section 8401(13) of title 5, United States Code) may
2 by regulation prescribe.

3 **TITLE III—INCREASING PORT-**
4 **ABILITY FOR PARTICIPANTS**

5 **SEC. 301. ROLLOVERS ALLOWED AMONG VARIOUS TYPES**
6 **OF PLANS.**

7 (a) ROLLOVERS FROM AND TO SECTION 457
8 PLANS.—

9 (1) ROLLOVERS FROM SECTION 457 PLANS.—

10 (A) IN GENERAL.—Section 457(e) (relat-
11 ing to other definitions and special rules) is
12 amended by adding at the end the following:

13 “(16) ROLLOVER AMOUNTS.—

14 “(A) GENERAL RULE.—In the case of an
15 eligible deferred compensation plan, if—

16 “(i) any portion of the balance to the
17 credit of an employee in such plan is paid
18 to such employee in an eligible rollover dis-
19 tribution (within the meaning of section
20 402(c)(4) (other than section
21 402(c)(4)(C)),

22 “(ii) the employee transfers any por-
23 tion of the property such employee receives
24 in such distribution to an eligible retire-

1 ment plan described in section
2 402(c)(8)(B), and

3 “(iii) in the case of a distribution of
4 property other than money, the amount so
5 transferred consists of the property distrib-
6 uted,

7 then such distribution (to the extent so trans-
8 ferred) shall not be includible in gross income
9 for the taxable year in which paid.

10 “(B) CERTAIN RULES MADE APPLICA-
11 BLE.—The rules of paragraphs (2) through (7)
12 (other than paragraph (4)(C)) and (9) of sec-
13 tion 402(c) and section 402(f) shall apply for
14 purposes of subparagraph (A).

15 “(C) REPORTING.—Rollovers under this
16 paragraph shall be reported to the Secretary in
17 the same manner as rollovers from qualified re-
18 tirement plans (as defined in section
19 4974(c)).”.

20 (B) DEFERRAL LIMIT DETERMINED WITH-
21 OUT REGARD TO ROLLOVER AMOUNTS.—Section
22 457(b)(2) (defining eligible deferred compensa-
23 tion plan) is amended by inserting “(other than
24 rollover amounts)” after “taxable year”.

1 (C) DIRECT ROLLOVER.—Paragraph (1) of
2 section 457(d) is amended by striking “and” at
3 the end of subparagraph (A), by striking the
4 period at the end of subparagraph (B) and in-
5 serting “, and”, and by inserting after subpara-
6 graph (B) the following:

7 “(C) the plan meets requirements similar
8 to the requirements of section 401(a)(31).

9 Any amount transferred in a direct trustee-to-trust-
10 ee transfer in accordance with section 401(a)(31)
11 shall not be includible in gross income for the tax-
12 able year of transfer.”.

13 (D) WITHHOLDING.—

14 (i) Paragraph (12) of section 3401(a)
15 is amended by adding at the end the fol-
16 lowing:

17 “(E) under or to an eligible deferred com-
18 pensation plan which, at the time of such pay-
19 ment, is a plan described in section 457(b);”.

20 (ii) Paragraph (5) of section 3405(e)
21 is amended by adding at the end the fol-
22 lowing: “Such term shall include an eligible
23 deferred compensation plan described in
24 section 457(b).”.

1 (iii) Paragraph (3) of section 3405(c)

2 is amended to read as follows:

3 “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For
4 purposes of this subsection, the term ‘eligible roll-
5 over distribution’ has the meaning given such term
6 by section 402(f)(2)(A).”.

7 (iv) LIABILITY FOR WITHHOLDING.—

8 Subparagraph (B) of section 3405(d)(2) is
9 amended by striking “or” at the end of
10 clause (ii), by striking the period at the
11 end of clause (iii) and inserting “, or”, and
12 by adding at the end the following:

13 ‘(iv) section 457(b).’.

14 (2) ROLLOVERS TO SECTION 457 PLANS.—

15 (A) Section 402(c)(8)(B) (defining eligible
16 retirement plan) is amended by striking “and”
17 at the end of clause (iii), by striking the period
18 at the end of clause (iv) and inserting “, and”,
19 and by adding at the end the following:

20 “(v) an eligible deferred compensation
21 plan described in section 457(b) of an eli-
22 gible employer described in section
23 457(e)(1)(A).”.

24 (B) Paragraph (9) of section 402(c) is
25 amended by striking “except that” and all that

1 follows and inserting “except that only an ac-
2 count or annuity described in clause (i) or (ii)
3 of paragraph (8)(B) shall be treated as an eligi-
4 ble retirement plan with respect to such dis-
5 tribution.”.

6 (C) Subsection (t) of section 72 (relating
7 to 10-percent additional tax on early distribu-
8 tions from qualified retirement plans) is amend-
9 ed by adding at the end the following new para-
10 graph:

11 “(9) SPECIAL RULE FOR ROLLOVERS TO SEC-
12 TION 457 PLANS.—For purposes of this subsection,
13 a distribution from an eligible deferred compensation
14 plan (as defined in section 457(b)) of an employer
15 described in section 457(e)(1)(A) shall be treated as
16 a distribution from a qualified retirement plan to the
17 extent that such distribution is attributable to an
18 amount transferred to an eligible deferred compensa-
19 tion plan from a qualified retirement plan (as de-
20 fined in section 4974(c)). For purposes of this sub-
21 section, any such distribution shall be treated as if
22 made from a qualified retirement plan described in
23 section 4974(c)(1). This paragraph shall only apply
24 to a transfer that is in excess of \$50,000 and that

1 is permitted by reason of section 402(c)(8)(B)(v) or
2 section 408(d)(3)(A)(ii).”.

3 (D) Subsection (a) of section 457 (relating
4 to year of inclusion in gross income) is
5 amended—

6 (i) by striking “or otherwise made
7 available”, and

8 (ii) by adding at the end the fol-
9 lowing: “To the extent provided in section
10 72(t)(9), section 72(t) shall apply to any
11 amount includible in gross income under
12 this subsection.”.

13 (3) MINIMUM DISTRIBUTIONS.—Paragraph (2)
14 of section 457(d) is amended to read as follows:

15 “(2) MINIMUM DISTRIBUTION REQUIRE-
16 MENTS.—A plan meets the distribution requirements
17 of this paragraph if the plan meets the requirements
18 of section 401(a)(9).”.

19 (4) CONFORMING AMENDMENT.—Paragraph (9)
20 of section 457(e) is amended to read as follows:

21 “(9) BENEFITS NOT TREATED AS FAILING TO
22 MEET DISTRIBUTION REQUIREMENTS OF SUB-
23 SECTION (d).—A plan shall not be treated as failing
24 to meet the distribution requirements of subsection

1 (d) by reason of a distribution of the total amount
2 payable to a participant under the plan if—

3 “(A) such amount does not exceed the dol-
4 lar limit under section 411(a)(11)(A), and

5 “(B) such amount may be distributed only
6 if—

7 “(i) no amount has been deferred
8 under the plan with respect to such partici-
9 pant during the 2-year period ending on
10 the date of the distribution, and

11 “(ii) there has been no prior distribu-
12 tion under the plan to such participant to
13 which this paragraph applied.”.

14 (b) ALLOWANCE OF ROLLOVERS FROM AND TO
15 403(b) PLANS.—

16 (1) ROLLOVERS FROM SECTION 403(b)
17 PLANS.—Section 403(b)(8)(A)(ii) (relating to roll-
18 over amounts) is amended by striking “such dis-
19 tribution” and all that follows and inserting “such
20 distribution to an eligible retirement plan described
21 in section 402(c)(8)(B), and”.

22 (2) ROLLOVERS TO SECTION 403(b) PLANS.—
23 Section 402(c)(8)(B) (defining eligible retirement
24 plan), as amended by subsection (a), is amended by
25 striking “and” at the end of clause (iv), by striking

1 the period at the end of clause (v) and inserting
2 “, and”, and by adding at the end the following:

3 “(vi) an annuity contract described in
4 section 403(b).”

5 (3) CONFORMING AMENDMENT.—Subparagraph
6 (B) of section 403(b)(8) is amended by striking
7 “Rules similar to the” and inserting “The”.

8 (c) EXPANDED EXPLANATION TO RECIPIENTS OF
9 ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section
10 402(f) (relating to written explanation to recipients of dis-
11 tributions eligible for rollover treatment) is amended by
12 striking “and” at the end of subparagraph (C), by striking
13 the period at the end of subparagraph (D) and inserting
14 “, and”, and by adding at the end the following new sub-
15 paragraph:

16 “(E) of the provisions under which dis-
17 tributions from the eligible retirement plan re-
18 ceiving the distribution may be subject to re-
19 strictions and tax consequences which are dif-
20 ferent from those applicable to distributions
21 from the plan making such distribution.”.

22 (d) CONFORMING AMENDMENTS.—

23 (1) Section 72(o)(4) is amended by striking
24 “and 408(d)(3)” and inserting “403(b)(8),
25 408(d)(3), and 457(e)(16)”.

1 (2) Section 219(d)(2) is amended by striking
2 “or 408(d)(3)” and inserting “408(d)(3), or
3 457(e)(16)”.

4 (3) Section 401(a)(31)(B) is amended by strik-
5 ing “and 403(a)(4)” and inserting “, 403(a)(4),
6 403(b)(8), and 457(e)(16)”.

7 (4) Subparagraph (A) of section 402(f)(2) is
8 amended by striking “or paragraph (4) of section
9 403(a)” and inserting “, paragraph (4) of section
10 403(a), subparagraph (A) of section 403(b)(8), or
11 subparagraph (A) of section 457(e)(16)”.

12 (5) Paragraph (1) of section 402(f) is amended
13 by striking “from an eligible retirement plan”.

14 (6) Subparagraphs (A) and (B) of section
15 402(f)(1) are amended by striking “another eligible
16 retirement plan” and inserting “an eligible retire-
17 ment plan”.

18 (7) Subparagraph (B) of section 403(b)(8) is
19 amended by striking “shall apply for purposes of
20 subparagraph (A)” and inserting “and section
21 402(f) shall apply for purposes of subparagraph (A),
22 except that section 402(f) shall be applied to the
23 payor in lieu of the plan administrator”.

1 (8) Subparagraph (B) of section 403(b)(8) is
2 amended by inserting “and (9)” after “through
3 (7)”.

4 (9) Section 408(a)(1) is amended by striking
5 “or 403(b)(8)” and inserting “, 403(b)(8), or
6 457(e)(16)”.

7 (10) Subparagraphs (A) and (B) of section
8 415(b)(2) are each amended by striking “and
9 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
10 457(e)(16)”.

11 (11) Section 415(c)(2) is amended by striking
12 “and 408(d)(3)” and inserting “408(d)(3), and
13 457(e)(16)”.

14 (12) Section 4973(b)(1)(A) is amended by
15 striking “or 408(d)(3)” and inserting “408(d)(3), or
16 457(e)(16)”.

17 (e) EFFECTIVE DATE; SPECIAL RULE.—

18 (1) EFFECTIVE DATE.—The amendments made
19 by this section shall apply to distributions after De-
20 cember 31, 1999.

21 (2) SPECIAL RULE.—Notwithstanding any other
22 provision of law, subsections (h)(3) and (h)(5) of
23 section 1122 of the Tax Reform Act of 1986 shall
24 not apply to any distribution from an eligible retire-
25 ment plan (as defined in clause (iii) or (iv) of section

1 402(c)(8)(B) of the Internal Revenue Code of 1986)
2 on behalf of an individual if there was a rollover to
3 such plan on behalf of such individual which is per-
4 mitted solely by reason of any amendment made by
5 this section.

6 **SEC. 302. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-**
7 **MENT PLANS.**

8 (a) IN GENERAL.—Subparagraph (A) of section
9 408(d)(3) (relating to rollover amounts) is amended by
10 adding “or” at the end of clause (i), by striking clauses
11 (ii) and (iii), and by adding at the end the following:

12 “(ii) the entire amount received (in-
13 cluding money and any other property) is
14 paid into an eligible retirement plan for
15 the benefit of such individual not later
16 than the 60th day after the date on which
17 he receives the payment or distribution.

18 For purposes of clause (ii), the term ‘eligible re-
19 tirement plan’ has the meaning given such term
20 by clauses (iii), (iv), (v), and (vi) of section
21 402(c)(8)(B).”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Paragraph (1) of section 403(b) is amended
24 by striking “section 408(d)(3)(A)(iii)” and inserting
25 “section 408(d)(3)(A)(ii)”.

1 (2) Clause (i) of section 408(d)(3)(D) is amend-
2 ed by striking “(i), (ii), or (iii)” and inserting “(i)
3 or (ii)”.

4 (3) Subparagraph (G) of section 408(d)(3) is
5 amended to read as follows:

6 “(G) SIMPLE RETIREMENT ACCOUNTS.—In
7 the case of any payment or distribution out of
8 a simple retirement account (as defined in sub-
9 section (p)) to which section 72(t)(6) applies,
10 this paragraph shall not apply unless such pay-
11 ment or distribution is paid into another simple
12 retirement account.”.

13 (c) EFFECTIVE DATE; SPECIAL RULE.—

14 (1) EFFECTIVE DATE.—The amendments made
15 by this section shall apply to distributions after De-
16 cember 31, 1999.

17 (2) SPECIAL RULE.—Notwithstanding any other
18 provision of law, subsections (h)(3) and (h)(5) of
19 section 1122 of the Tax Reform Act of 1986 shall
20 not apply to any distribution from an eligible retire-
21 ment plan (as defined in clause (iii) or (iv) of section
22 402(c)(8)(B) of the Internal Revenue Code of 1986)
23 on behalf of an individual if there was a rollover to
24 such plan on behalf of such individual which is per-

1 mitted solely by reason of the amendments made by
2 this section.

3 **SEC. 303. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

4 (a) IN GENERAL.—

5 (1) Subsection (c) of section 402 (relating to
6 rules applicable to rollovers from exempt trusts) (as
7 amended by section 2) is amended by striking para-
8 graph (2) and redesignating paragraphs (3) through
9 (10) as paragraphs (2) through (9), respectively.

10 (2) Paragraph (31) of section 401(a) (relating
11 to optional direct transfer of eligible rollover dis-
12 tributions) is amended by striking subparagraph (B)
13 and redesignating subparagraphs (C) and (D) as
14 subparagraphs (B) and (C), respectively.

15 (3) Subparagraph (B) of section 408(d)(3) (re-
16 lating to rollover contributions) is amended by strik-
17 ing “which was not includible in his gross income
18 because of the application of this paragraph” and in-
19 serting “to which this paragraph applied”.

20 (4) Paragraph (7)(B) of section 402(c) (as re-
21 designated by subsection (a)(1) and as amended by
22 section 301) is amended—

23 (A) by striking “The term” and inserting
24 “Except as provided in this subparagraph, the
25 term”, and

1 (B) by adding at the end the following:

2 “Arrangements described in clauses (iii), (iv)
3 (v), and (vi) shall not be treated as eligible re-
4 tirement plans for purposes of receiving a roll-
5 over contribution of an eligible rollover distribu-
6 tion to the extent that such eligible rollover dis-
7 tribution is not includible in gross income (de-
8 termined without regard to paragraph (1)).”.

9 (5) Paragraph (2) of section 408(d) is
10 amended—

11 (A) by striking “For purposes” and insert-
12 ing the following:

13 “(A) IN GENERAL.—Except as provided in
14 this paragraph, for purposes”,

15 (B) by striking “(A) all” and inserting “(i)
16 all”;

17 (C) by striking “(B) all” and inserting
18 “(ii) all”;

19 (D) by striking “(C) the” and inserting
20 “(iii) the”,

21 (E) by striking “subparagraph (C)” and
22 inserting “clause (iii)”, and

23 (F) by inserting at the end the following:

24 “(B) APPLICATION OF SECTION 72.—For
25 purposes of applying section 72, if—

1 “(i) a distribution is made from an in-
2 dividual retirement plan, and

3 “(ii) a rollover contribution described
4 in paragraph (3) is made to an eligible re-
5 tirement plan described in section
6 402(c)(7)(B)(iii), (iv), (v), or (vi) with re-
7 spect to all or part of such distribution,

8 the includible amount in the individual’s indi-
9 vidual retirement plans shall be reduced by the
10 amount described in subparagraph (C). As of
11 the close of the calendar year in which the tax-
12 able year begins, the reduction of all amounts
13 described in subparagraph (C)(i) shall be ap-
14 plied prior to the computations described in
15 subparagraph (A)(iii). The amount of any dis-
16 tribution with respect to which there is a roll-
17 over contribution described in clause (ii) shall
18 not be treated as a distribution for purposes of
19 subparagraph (A).

20 “(C) AMOUNT DESCRIBED.—The amount
21 described in this subparagraph is the sum of—

22 “(i) the amount of the rollover con-
23 tribution described in subparagraph
24 (B)(ii), and

1 “(ii) in the case of any portion of the
2 distribution with respect to which there is
3 not a rollover contribution described in
4 paragraph (3), the amount of such portion
5 that is included in gross income under sec-
6 tion 72.

7 “(D) INCLUDIBLE AMOUNT.—For purposes
8 of this paragraph, the term ‘includible amount’
9 shall mean the amount that is not investment
10 in the contract (as defined in section 72).”.

11 (6) Subparagraph (C) of section 402(c)(5) (as
12 redesignated by subsection (a)(1)) is amended by in-
13 serting after “other than money” the following: “or
14 where the amount of the distribution exceeds the
15 amount of the rollover contribution”.

16 (b) HARDSHIP EXCEPTION TO 60-DAY RULE.—

17 (1) Paragraph (2) of section 402(c) (as so re-
18 designated) is amended to read as follows:

19 “(2) TRANSFER MUST BE MADE WITHIN 60
20 DAYS OF RECEIPT.—

21 “(A) IN GENERAL.—Except as provided in
22 subparagraph (B), paragraph (1) shall not
23 apply to any transfer of a distribution made
24 after the 60th day following the day on which

1 the distributee received the property distrib-
2 uted.

3 “(B) HARDSHIP EXCEPTION.—The Sec-
4 retary may waive the 60-day requirement under
5 subparagraph (A) where the failure to waive
6 such requirement would be against equity or
7 good conscience, including casualty, disaster, or
8 other events beyond the reasonable control of
9 the individual subject to such requirement.”.

10 (2) Paragraph (3) of section 408(d) (relating to
11 rollover contributions) is amended by adding at the
12 end the following new subparagraph:

13 “(H) WAIVER OF 60-DAY REQUIREMENT.—
14 The Secretary may waive the 60-day require-
15 ment under subparagraphs (A) and (D) where
16 the failure to waive such requirement would be
17 against equity or good conscience, including
18 casualty, disaster, or other events beyond the
19 reasonable control of the individual subject to
20 such requirement.”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Paragraph (4) of section 402(c) (as redesign-
23 nated by subsection (a)(1)) is amended by striking
24 “(8)(B)” and inserting “(7)(B)”.

1 (2) Subparagraph (B) of section 403(a)(4) is
2 amended by striking “(2) through (7)” and inserting
3 “(2) through (6)”.

4 (3) Section 403(b)(8)(A)(ii) (as amended by
5 section 301) is amended by striking “section
6 402(c)(8)(B)” and inserting “section 402(c)(7)(B)”.

7 (4) Subparagraph (B) of section 403(b)(8) (as
8 amended by section 301) is amended by striking
9 “(2) through (7) and (9) of section 402(c) (includ-
10 ing paragraph (4)(C) thereof)” and inserting “(2)
11 through (6) and (8) of section 402(c) (including
12 paragraph (3)(C) thereof)”.

13 (5) Subparagraph (A) of section 408(d)(3) (as
14 amended by section 302) is amended by striking
15 “402(c)(8)” and inserting “402(c)(7)”.

16 (6) Paragraph (16) of section 457(e) (as added
17 by section 301) is amended—

18 (A) in subparagraph (A)(i) by striking
19 “402(c)(4) (other than section 402(c)(4)(C))”
20 and inserting “section 402(c)(3) (other than
21 section 402(c)(3)(C))”,

22 (B) in subparagraph (A)(ii) by striking
23 “402(c)(8)(B)” and inserting “402(c)(7)(B)”,
24 and

1 (C) in subparagraph (B) by striking “para-
2 graphs (2) through (7) (other than paragraph
3 (4)(C)) and (9) of section 402(c)” and inserting
4 “paragraphs (2) through (6) (other than para-
5 graph (3)(C)) and (8) of section 402(c)”.

6 (d) EFFECTIVE DATE.—

7 (1) IN GENERAL.—Except as provided by para-
8 graph (2), the amendments made by this section
9 shall apply to distributions made after December 31,
10 1999.

11 (2) HARDSHIP EXCEPTION.—The amendments
12 made by subsection (b) shall apply to 60-day periods
13 ending after the date of the enactment of this Act.

14 **SEC. 304. TREATMENT OF FORMS OF DISTRIBUTION.**

15 (a) IN GENERAL.—

16 (1) PLAN TRANSFERS.—Paragraph (6) of sec-
17 tion 411(d) (relating to accrued benefit not to be de-
18 creased by amendment) is amended by adding at the
19 end the following:

20 “(D) PLAN TRANSFERS.—

21 “(i) A defined contribution plan (in
22 this subparagraph referred to as the
23 ‘transferee plan’) shall not be treated as
24 failing to meet the requirements of this
25 subsection merely because the transferee

1 plan does not provide some or all of the
2 forms of distribution previously available
3 under another defined contribution plan
4 (in this paragraph referred to as the
5 ‘transferor plan’) to the extent that—

6 “(I) the forms of distribution
7 previously available under the trans-
8 feror plan applied to the account of a
9 participant or beneficiary under the
10 transferor plan that was transferred
11 from the transferor plan to the trans-
12 feree plan pursuant to a direct trans-
13 fer rather than pursuant to a distribu-
14 tion from the transferor plan;

15 “(II) the terms of both the trans-
16 feror plan and the transferee plan au-
17 thorize the transfer described in sub-
18 clause (I);

19 “(III) the transfer described in
20 subclause (I) was made pursuant to a
21 voluntary election by the participant
22 or beneficiary whose account was
23 transferred to the transferee plan;

24 “(IV) the election described in
25 subclause (III) was made after the

1 participant or beneficiary received a
2 notice describing the consequences of
3 making the election;

4 “(V) if the transferor plan pro-
5 vides for an annuity as the normal
6 form of distribution under the plan in
7 accordance with section 417, the
8 transfer is made with the consent of
9 the participant’s spouse (if any), and
10 such consent meets requirements simi-
11 lar to the requirements imposed by
12 section 417(a)(2); and

13 “(VI) the transferee plan allows
14 the participant or beneficiary de-
15 scribed in subclause (III) to receive
16 any distribution to which the partici-
17 pant or beneficiary is entitled under
18 the transferee plan in the form of a
19 single sum distribution.

20 “(ii) Clause (i) shall apply to plan
21 mergers and other transactions having the
22 effect of a direct transfer, including con-
23 solidations of benefits attributable to dif-
24 ferent employers within a multiple em-
25 ployer plan.

1 “(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be
2 treated as failing to meet the requirements of
3 this section merely because of the elimination of
4 a form of distribution previously available there-
5 under. This subparagraph shall not apply to the
6 elimination of a form of distribution with re-
7 spect to any participant unless—

8 “(i) a single sum payment is available
9 to such participant at the same time or
10 times as the form of distribution being
11 eliminated; and

12 “(ii) such single sum payment is
13 based on the same or greater portion of
14 the participant’s account as the form of
15 distribution being eliminated.”.

16 (2) REGULATIONS.—The last sentence of para-
17 graph (6)(B) of section 411(d) (relating to accrued
18 benefit not to be decreased by amendment) is
19 amended to read as follows: “The Secretary may by
20 regulations provide that this subparagraph shall not
21 apply to any plan amendment that does not ad-
22 versely affect the rights of participants in a material
23 manner.
24
25

1 (3) SECRETARY DIRECTED.—Not later than
2 December 31, 2001, the Secretary of the Treasury
3 is directed to issue final regulations under section
4 411(d)(6) of the Internal Revenue Code of 1986.
5 Such regulations shall apply to plan years beginning
6 after December 31, 2001 or such earlier date as is
7 specified by the Secretary of the Treasury. Under
8 such regulations, section 411(d)(6) of such Code
9 shall not apply to plan amendments that do not ad-
10 versely affect the rights of participants in a material
11 manner. In determining whether a plan amendment
12 has such a materially adverse effect on a participant,
13 the factors taken into account shall include—

14 (A) all of the participant's early retirement
15 benefits, retirement-type subsidies, and optional
16 forms of benefit that are reduced or eliminated
17 by the plan amendment,

18 (B) the extent to which early retirement
19 benefits, retirement-type subsidies, and optional
20 forms of benefit in effect with respect to a par-
21 ticipant after the effective date of the plan
22 amendment provide rights that are comparable
23 to the rights that are reduced or eliminated by
24 the plan amendment,

1 (C) the number of years before the partici-
2 pant attains normal retirement age under the
3 plan (or early retirement age, as applicable),

4 (D) the size of the participant's benefit
5 that is affected by the plan amendment, in rela-
6 tion to the amount of the participant's com-
7 pensation, and

8 (E) the number of years before the plan
9 amendment is effective.

10 The regulations described in this paragraph are in-
11 tended to permit the elimination or reduction of
12 early retirement benefits, retirement-type subsidies,
13 and optional forms of benefit that do not have a ma-
14 terial value for a plan's participants but create sig-
15 nificant burdens and complexities for the plan and
16 its participants.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to years beginning after December
19 31, 1999.

20 **SEC. 305. RATIONALIZATION OF RESTRICTIONS ON DIS-**
21 **TRIBUTIONS.**

22 (a) MODIFICATION OF SAME DESK EXCEPTION.—

23 (1) SECTION 401(k).—Section
24 401(k)(2)(B)(i)(I) (relating to qualified cash or de-
25 ferred arrangements) is amended by striking “sepa-

1 ration from service” and inserting “severance from
2 employment”.

3 (2) SECTION 403(b).—

4 (A) Paragraphs (7)(A)(ii) and (11)(A) of
5 section 403(b) are each amended by striking
6 “separates from service” and inserting “has a
7 severance from employment”.

8 (B) The heading for paragraph (11) of
9 section 403(b) is amended by striking “SEPARA-
10 TION FROM SERVICE” and inserting “SEVER-
11 ANCE FROM EMPLOYMENT”.

12 (3) SECTION 457.—Clause (ii) of section
13 457(d)(1)(A) is amended by striking “is separated
14 from service” and inserting “has a severance from
15 employment”.

16 (b) BUSINESS SALE REQUIREMENTS REPEALED.—

17 (1) IN GENERAL.—Section 401(k)(2)(B)(i)(II)
18 (relating to qualified cash or deferred arrangements)
19 is amended by striking “an event” and inserting “a
20 plan termination”.

21 (2) CONFORMING AMENDMENTS.—Section
22 401(k)(10) is amended—

23 (A) by striking subparagraph (A) and in-
24 serting the following:

1 “(A) IN GENERAL.—A plan termination is
2 described in this paragraph if the termination
3 of the plan does not involve the establishment
4 or maintenance of another defined contribution
5 plan (other than an employee stock ownership
6 plan as defined in section 4975(e)(7)).”,

7 (B) in subparagraph (B)—

8 (i) by striking “An event” and insert-
9 ing “A termination”, and

10 (ii) by striking “the event” and insert-
11 ing “the termination”,

12 (C) by striking subparagraph (C), and

13 (D) by striking “OR DISPOSITION OF AS-
14 SETS OR SUBSIDIARY” in the heading.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to distributions after December 31,
17 1999.

18 **SEC. 306. PURCHASE OF SERVICE CREDIT IN GOVERN-**
19 **MENTAL DEFINED BENEFIT PLANS.**

20 (a) 403(b) PLANS.—Subsection (b) of section 403 (as
21 amended by section 501) is amended by adding at the end
22 the following new paragraph:

23 “(14) TRUSTEE-TO-TRUSTEE TRANSFERS TO
24 PURCHASE PERMISSIVE SERVICE CREDIT.—No
25 amount shall be includible in gross income by reason

1 of a direct trustee-to-trustee transfer to a defined
2 benefit governmental plan (as defined in section
3 414(d)) if such transfer is—

4 “(A) for the purchase of permissive service
5 credit (as defined in section 415(n)(3)(A))
6 under such plan, or

7 “(B) a repayment to which section 415
8 does not apply by reason of subsection (k)(3)
9 thereof.”.

10 (b) 457 PLANS.—

11 (1) Subsection (e) of section 457 (as amended
12 by section 509) is amended by adding at the end the
13 following new paragraph:

14 “(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO
15 PURCHASE PERMISSIVE SERVICE CREDIT.—No
16 amount shall be includible in gross income by reason
17 of a direct trustee-to-trustee transfer to a defined
18 benefit governmental plan (as defined in section
19 414(d)) if such transfer is—

20 “(A) for the purchase of permissive service
21 credit (as defined in section 415(n)(3)(A))
22 under such plan, or

23 “(B) a repayment to which section 415
24 does not apply by reason of subsection (k)(3)
25 thereof.”.

1 (2) Section 457(b)(2), as amended by sections
2 101, 202, and 301, is amended by striking “(other
3 than rollover amounts)” and inserting “(other than
4 rollover amounts and amounts received in a transfer
5 referred to in subsection (e)(16))”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to trustee-to-trustee transfers after
8 December 31, 1999.

9 **SEC. 307. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**
10 **PURPOSES OF CASH-OUT AMOUNTS.**

11 (a) AMENDMENTS TO 1986 CODE.—

12 (1) Section 411(a)(11) (relating to restrictions
13 on certain mandatory distributions) is amended by
14 adding at the end the following:

15 “(D) SPECIAL RULE FOR ROLLOVER CON-
16 TRIBUTIONS.—A plan shall not fail to meet the
17 requirements of this paragraph if, under the
18 terms of the plan, the present value of the non-
19 forfeitable accrued benefit is determined with-
20 out regard to that portion of such benefit which
21 is attributable to rollover contributions (and
22 earnings allocable thereto). For purposes of this
23 subparagraph, the term ‘rollover contributions’
24 means any rollover contribution under sections

1 402(c), 403(a)(4), 403(b)(8), clause (ii), (iii),
2 or (iv) of 408(d)(3)(A), and 457(e)(16).”.

3 (2) Clause (i) of section 457(e)(9)(A) is amend-
4 ed by striking “such amount” and inserting “the
5 portion of such amount which is not attributable to
6 rollover contributions (as defined in section
7 411(a)(11)(D))”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to distributions after December 31,
10 1999.

11 **TITLE IV—STRENGTHENING**
12 **PENSION SECURITY AND EN-**
13 **FORCEMENT**

14 **SEC. 401. REPEAL OF 150 PERCENT OF CURRENT LIABILITY**
15 **FUNDING LIMIT.**

16 (a) IN GENERAL.—

17 (1) CODE AMENDMENT.—Section 412(c)(7) (re-
18 lating to full-funding limitation) is amended—

19 (A) by striking “the applicable percentage”
20 in subparagraph (A)(i)(I) and inserting “in the
21 case of plan years beginning before January 1,
22 2003, the applicable percentage”, and

23 (B) by amending subparagraph (F) to read
24 as follows:

1 “(F) APPLICABLE PERCENTAGE.—For
 2 purposes of subparagraph (A)(i)(I), the applica-
 3 ble percentage shall be determined in accord-
 4 ance with the following table:

“In the case of any plan year beginning in—	The applicable percentage is—
2000	160
2001	165
2002	170.”.

5 (2) EFFECTIVE DATES.—The amendments
 6 made by this subsection shall apply to plan years be-
 7 ginning after December 31, 1999.

8 (b) MAXIMUM CONTRIBUTION DEDUCTION RULES
 9 MODIFIED AND APPLIED TO ALL DEFINED BENEFIT
 10 PLANS.—

11 (1) IN GENERAL.—Section 404(a)(1)(D) (relat-
 12 ing to special rule in case of certain plans) is
 13 amended—

14 (A) by striking “which has more than 100
 15 participants for the plan year”,

16 (B) by striking “unfunded current liability
 17 determined under section 414(l)” and inserting
 18 “unfunded termination liability (determined as
 19 if the proposed termination date referred to in
 20 section 4041(b)(2)(A)(i)(II) of the Employee
 21 Retirement Income Security Act of 1974 were
 22 the last day of the plan year)”,

1 (C) by inserting after the first sentence the
2 following: “For purposes of this subparagraph,
3 in the case of a plan which has less than 100
4 participants for the plan year, termination li-
5 ability shall not include the liability attributable
6 to benefit increases for highly compensated em-
7 ployees (as defined in section 414(q)) brought
8 about by plan amendment within the last 2
9 years before the termination date.”, and

10 (D) by striking “(other than a multiem-
11 ployer plan)”.

12 (2) CONFORMING AMENDMENT.—Paragraph (6)
13 of section 4972(c) is amended by striking the sen-
14 tence preceding the last sentence thereof.

15 (3) EFFECTIVE DATE.—The amendments made
16 by this subsection shall apply to plan years begin-
17 ning after the date of enactment of this Act.

18 **SEC. 402. PENALTY TAX RELIEF FOR SOUND PENSION**
19 **FUNDING.**

20 (a) IN GENERAL.—Subsection (c) of section 4972
21 (relating to nondeductible contributions) is amended by
22 adding at the end the following new paragraph:

23 “(7) DEFINED BENEFIT PLAN EXCEPTION.—In
24 determining the amount of nondeductible contribu-
25 tions for any taxable year, an employer may elect for

1 such year not to take into account any contributions
2 to a defined benefit plan except to the extent that
3 such contributions exceed the full-funding limitation
4 (as defined in section 412(c)(7), determined without
5 regard to subparagraph (A)(i)(I) thereof). For pur-
6 poses of this paragraph, the deductible limits under
7 section 404(a)(7) shall first be applied to amounts
8 contributed to defined contribution plans and then
9 to amounts described in this paragraph. If an em-
10 ployer makes an election under this paragraph for a
11 taxable year, paragraph (6) shall not apply to such
12 employer for such taxable year.”.

13 (b) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to years beginning after December
15 31, 1999.

16 **TITLE V—REDUCING** 17 **REGULATORY BURDENS**

18 **SEC. 501. INTERMEDIATE SANCTIONS FOR INADVERTENT** 19 **FAILURES.**

20 (a) IN GENERAL.—Section 401(a) (relating to quali-
21 fied pension, profit-sharing, and stock bonus plans) is
22 amended by inserting after paragraph (34) the following:

23 “(35) PROTECTION FROM DISQUALIFICATION
24 UPON TIMELY CORRECTION OR PAYMENT OF FINE.—
25 A trust shall not fail to constitute a qualified trust

1 under this section if the plan of which such trust is
2 a part has made good faith efforts to meet the re-
3 quirements of this section, has inadvertently failed
4 to satisfy 1 or more of such requirements, and
5 either—

6 “(A) substantially corrects (to the extent
7 possible) such failure before the date the plan
8 becomes subject to a plan examination for the
9 applicable year (as determined under rules pre-
10 scribed by the Secretary), or

11 “(B) substantially corrects (to the extent
12 possible) such failure on or after such date.

13 If the plan satisfies the requirement under subpara-
14 graph (B), the Secretary may require the sponsoring
15 employer to make a payment to the Secretary in an
16 amount that does not exceed an amount that bears
17 a reasonable relationship to the severity of the plan’s
18 failure to satisfy the requirements of this section.”.

19 (b) APPLICATION TO CASH OR DEFERRED ARRANGE-
20 MENTS.—Section 401(k) is amended by inserting after
21 paragraph (12) the following new paragraph:

22 “(13) PROTECTION FROM DISQUALIFICATION.—
23 Rules similar to the rules set forth in section
24 401(a)(35) shall apply for purposes of determining

1 whether a cash or deferred arrangement is a quali-
2 fied cash or deferred arrangement.”.

3 (c) APPLICATION TO SECTION 403(b) ANNUITY CON-
4 TRACTS.—Section 403(b) is amended by inserting after
5 paragraph (12) the following:

6 “(13) CORRECTION OF ERRORS.—For purposes
7 of determining whether the exclusion from gross in-
8 come under paragraph (1) is applicable to an em-
9 ployee for any taxable year, rules similar to the rules
10 set forth in section 401(a)(35) shall apply to any an-
11 nuity contract purchased under this subsection or
12 any plan established to meet the requirements of
13 this subsection.”.

14 (d) INCOME INCLUSION FOR DISQUALIFICATION NOT
15 APPLICABLE TO NONHIGHLY COMPENSATED EMPLOY-
16 EES.—Section 402(b) (relating to taxability of beneficiary
17 of nonexempt trust) is amended by striking paragraph (4)
18 and inserting the following:

19 “(4) INCOME INCLUSION FOR DISQUALIFICA-
20 TION NOT APPLICABLE TO NONHIGHLY COM-
21 PENSATED EMPLOYEES.—Paragraphs (1) and (2)
22 shall not apply to employees who are not highly com-
23 pensated employees.

24 “(5) FAILURE TO MEET REQUIREMENTS OF
25 SECTION 401(a)(26) OR 410(b).—If 1 of the reasons

1 a trust is not exempt from tax under section 501(a)
2 is the failure of the plan to meet the requirements
3 of section 401(a)(26) or 410(b), then a highly com-
4 pensated employee shall, in lieu of the amount deter-
5 mined under paragraph (1) or (2), include in gross
6 income for the taxable year with or within which the
7 taxable year of the trust ends an amount equal to
8 the vested accrued benefit of such employee (other
9 than the employee's investment in the contract) as
10 of the close of such taxable year of the trust.

11 “(6) HIGHLY COMPENSATED EMPLOYEE.—For
12 purposes of this subsection, the term ‘highly com-
13 pensated employee’ has the meaning given such term
14 by section 414(q).”.

15 (e) EFFECTIVE DATE.—The amendments made by
16 this section shall take effect on the date of enactment of
17 this Act.

18 **SEC. 502. REPEAL OF THE MULTIPLE USE TEST.**

19 (a) IN GENERAL.—Paragraph (9) of section 401(m)
20 is amended to read as follows:

21 “(9) REGULATIONS.—The Secretary shall pre-
22 scribe such regulations as may be necessary to carry
23 out the purposes of this subsection and subsection
24 (k), including regulations permitting appropriate ag-
25 gregation of plans and contributions.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to years beginning after December
3 31, 1999.

4 **SEC. 503. SAFETY VALVE FROM MECHANICAL RULES.**

5 (a) IN GENERAL.—The Secretary of the Treasury, by
6 regulation, shall provide that the plan shall be deemed to
7 satisfy the requirements of section 401(a)(4) of the Inter-
8 nal Revenue Code of 1986 if such plan satisfies the facts
9 and circumstances test under section 401(a)(4) of such
10 Code, as in effect before January 1, 1994, if—

11 (1) the plan satisfies conditions prescribed by
12 the Secretary to appropriately limit the availability
13 of such test, and

14 (2) the plan is submitted to the Secretary for
15 a determination of whether it satisfies such test.

16 Paragraph (2) shall only apply to the extent provided by
17 the Secretary.

18 (b) EFFECTIVE DATES.—

19 (1) REGULATIONS.—The regulation required by
20 subsection (a) shall apply to years beginning after
21 December 31, 2000.

22 (2) CONDITIONS OF AVAILABILITY.—Any condi-
23 tion of availability prescribed by the Secretary under
24 subsection (a)(1) shall not apply before the first year

1 beginning not less than 120 days after the date on
2 which such condition is prescribed.

3 **SEC. 504. REFORM OF THE LINE OF BUSINESS RULES.**

4 (a) REPEAL OF GATEWAY TEST.—Paragraph (5) of
5 section 410(b) is amended to read as follows:

6 “(5) LINE OF BUSINESS EXCEPTION.—If, under
7 section 414(r), an employer is treated as operating
8 separate lines of business for a year, the employer
9 may apply the requirements of this subsection for
10 such year separately with respect to employees in
11 each separate line of business.”.

12 (b) REGULATIONS.—The Secretary of the Treasury
13 shall modify the regulations issued under section 414(r)
14 of the Internal Revenue Code of 1986 (relating to special
15 rules for separate line of business) to—

16 (1) simplify the administrability of the rules for
17 both the Secretary and plans, and

18 (2) permit employees to be allocated among
19 lines of business based on all the facts and cir-
20 cumstances.

21 (c) EFFECTIVE DATES.—

22 (1) REPEAL.—The repeal made by subsection
23 (a) shall apply to years beginning after December
24 31, 2000.

1 (2) REGULATIONS.—The regulations modified
2 under subsection (b) shall apply to years beginning
3 after December 31, 2000.

4 **SEC. 505. COVERAGE TEST FLEXIBILITY.**

5 (a) IN GENERAL.—Paragraph (1) of section 410(b)
6 is amended by adding at the end the following:

7 “(D) In the case that the plan fails to
8 meet the requirements of subparagraphs (A),
9 (B) and (C), the plan—

10 “(i) satisfies subparagraph (B), as in
11 effect immediately before the enactment of
12 the Tax Reform Act of 1986,

13 “(ii) is submitted to the Secretary for
14 a determination of whether it satisfies the
15 requirement described in clause (i), and

16 “(iii) satisfies conditions prescribed by
17 the Secretary by regulation that appro-
18 priately limit the availability of this sub-
19 paragraph.

20 Clause (ii) shall apply only to the extent pro-
21 vided by the Secretary.”.

22 (b) EFFECTIVE DATES.—

23 (1) IN GENERAL.—The amendment made by
24 subsection (a) shall apply to years beginning after
25 December 31, 2000.

1 (2) CONDITIONS OF AVAILABILITY.—Any condi-
2 tion of availability prescribed by the Secretary under
3 regulations prescribed by the Secretary under sec-
4 tion 410(a)(1)(D) of the Internal Revenue Code of
5 1986 shall not apply before the first year beginning
6 not less than 120 days after the date on which such
7 condition is prescribed.

8 **SEC. 506. INCREASE IN RETIREMENT PLAN CASH-OUT**
9 **AMOUNT.**

10 (a) AMENDMENT TO 1986 CODE.—Section
11 411(a)(11) (relating to restrictions on certain mandatory
12 distributions) is amended by adding at the end the fol-
13 lowing:

14 “(D) INFLATION ADJUSTMENT.—In the
15 case of any plan year beginning in a calendar
16 year after 1999, the Secretary shall adjust an-
17 nually the \$5,000 amount contained in subpara-
18 graph (A) for increases in the cost of living at
19 the same time and in the same manner as ad-
20 justments under section 415(d); except that the
21 base period shall be the calendar quarter ending
22 September 30, 1999, and any increase which is
23 not a multiple of \$500 shall be rounded to the
24 next lowest multiple of \$500.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to plan years beginning on or after
3 the date of enactment of this Act.

4 **SEC. 507. MODIFICATION OF TIMING OF PLAN VALUATIONS.**

5 (a) IN GENERAL.—Section 412(c)(9) (relating to an-
6 nual valuation) is amended—

7 (1) by striking “For purposes” and inserting
8 the following:

9 “(A) IN GENERAL.—For purposes”, and

10 (2) by adding at the end the following:

11 “(B) ELECTION TO USE PRIOR YEAR
12 VALUATION.—

13 “(i) IN GENERAL.—If, for any plan
14 year—

15 “(I) an election is in effect under
16 this subparagraph with respect to a
17 plan, and

18 “(II) the assets of the plan are
19 not less than 125 percent of the
20 plan’s current liability (as defined in
21 paragraph (7)(B)), determined as of
22 the valuation date for the preceding
23 plan year, then this section shall be
24 applied using the information avail-
25 able as of such valuation date.

1 “(ii) ADJUSTMENTS.—Information
2 under clause (i) shall, in accordance with
3 regulations, be actuarially adjusted to re-
4 flect significant differences in participants.

5 “(iii) ELECTION.—An election under
6 this subparagraph, once made, shall be ir-
7 revocable without the consent of the Sec-
8 retary.”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to plan years beginning on or after
11 the date of enactment of this Act.

12 **SEC. 508. SECTION 457 INAPPLICABLE TO CERTAIN MIRROR**
13 **PLANS.**

14 (a) IN GENERAL.—Subsection (e) of section 457 (re-
15 lating to deferred compensation plans of State and local
16 governments and tax-exempt organizations) is amended by
17 adding at the end the following new paragraph:

18 “(17) This section shall not apply to a plan,
19 program, or arrangement maintained solely for the
20 purposes of providing retirement benefits for em-
21 ployees in excess of the limitations imposed by sec-
22 tions 401(a)(17) or 415.”.

23 (b) CERTAIN DEFERRED COMPENSATION NOT
24 TAKEN INTO ACCOUNT.—Subsection (c) of section 457
25 (relating to individuals who are participants in more than

1 1 plan) (as amended by section 108(a)) is amended by
2 adding at the end the following: “This section shall be ap-
3 plied without regard to a plan, program, or arrangement
4 described in subsection (e)(17).”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to years beginning after December
7 31, 1999.

8 **SEC. 509. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**
9 **LOSS OF DIVIDEND DEDUCTION.**

10 (a) IN GENERAL.—Section 404(k)(2)(A) (defining
11 applicable dividends) is amended by striking “or” at the
12 end of clause (ii), by redesignating clause (iii) as clause
13 (iv), and by inserting after clause (ii) the following new
14 clause:

15 “(iii) is, at the election of such par-
16 ticipants or their beneficiaries—

17 “(I) payable as provided in clause
18 (i) or (ii), or

19 “(II) paid to the plan and rein-
20 vested in qualifying employer securi-
21 ties, or”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 1999.

1 **SEC. 510. MODIFICATION OF 403(b) EXCLUSION ALLOWANCE**

2 **TO CONFORM TO 415 MODIFICATION.**

3 The Secretary of the Treasury shall modify the regu-
4 lations regarding the exclusion allowance under section
5 403(b)(2) of the Internal Revenue Code of 1986 to render
6 void the requirement that contributions to a defined ben-
7 efit pension plan be treated as previously excluded
8 amounts for purposes of the exclusion allowance. For tax-
9 able years beginning after December 31, 1999, such regu-
10 lations shall be applied as if such requirement were void.

11 **SEC. 511. TREATMENT OF MULTIEMPLOYER PLANS UNDER**

12 **SECTION 415.**

13 (a) COMPENSATION LIMIT.—Paragraph (11) of sec-
14 tion 415(b) (relating to limitation for defined benefit
15 plans) is amended to read as follows:

16 “(11) SPECIAL LIMITATION RULE FOR GOVERN-
17 MENTAL AND MULTIEMPLOYER PLANS.—In the case
18 of a governmental plan (as defined in section
19 414(d)) or a multiemployer plan (as defined in sec-
20 tion 414(f)), subparagraph (B) of paragraph (1)
21 shall not apply.”.

22 (b) EXEMPTION FOR SURVIVOR AND DISABILITY
23 BENEFITS.—Subparagraph (I) of section 415(b)(2) (relat-
24 ing to limitation for defined benefit plans) is amended—

1 (1) by inserting “or a multiemployer plan (as
2 defined in section 414(f))” after “section 414(d))”
3 in clause (i),

4 (2) by inserting “or multiemployer plan” after
5 “governmental plan” in clause (ii), and

6 (3) by inserting “AND MULTIEMPLOYER” after
7 “GOVERNMENTAL” in the heading.

8 (c) COMBINING AND AGGREGATION OF PLANS.—

9 (1) COMBINING OF PLANS.—Subsection (f) of
10 section 415 (relating to combining of plans) is
11 amended by adding at the end the following:

12 “(3) EXCEPTION FOR MULTIEMPLOYER
13 PLANS.—Notwithstanding paragraph (1) and sub-
14 section (g), a multiemployer plan (as defined in sec-
15 tion 414(f)) shall not be combined or aggregated
16 with any other plan maintained by an employer for
17 purposes of applying the limitations established in
18 this section.”.

19 (2) CONFORMING AMENDMENT FOR AGGREGA-
20 TION OF PLANS.—Subsection (g) of section 415 (re-
21 lating to aggregation of plans) is amended by strik-
22 ing “The Secretary” and inserting “Except as pro-
23 vided in subsection (f)(3), the Secretary”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to years beginning after December
3 31, 1999.

4 **SEC. 512. ELIMINATION OF PARTIAL TERMINATION RULES**
5 **FOR MULTIEMPLOYER PLANS.**

6 (a) PARTIAL TERMINATION RULES FOR MULTITEM-
7 PLOYER PLANS.—Section 411(d)(3) (relating to termi-
8 nation or partial termination; discontinuance of contribu-
9 tions) is amended by adding at the end the following new
10 sentence: “This paragraph shall not apply in the case of
11 a partial termination of a multiemployer plan.”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall apply to partial terminations beginning
14 after December 31, 1999.

15 **SEC. 513. NOTICE AND CONSENT PERIOD REGARDING DIS-**
16 **TRIBUTIONS.**

17 (a) EXPANSION OF PERIOD.—

18 (1) IN GENERAL.—Subparagraph (A) of section
19 417(a)(6) is amended by striking “90-day” and in-
20 serting “one-year”.

21 (2) MODIFICATION OF REGULATIONS.—The
22 Secretary of the Treasury shall modify the regula-
23 tions under sections 402(f), 411(a)(11), and 417 of
24 the Internal Revenue Code of 1986 to substitute
25 “one year” for “90 days” each place it appears in

1 Treasury Regulations sections 1.402(f)–1, 1.411(a)–
2 11(c), and 1.417(e)–1(b).

3 (3) EFFECTIVE DATE.—The amendment made
4 by paragraph (1) and the modifications required by
5 paragraph (2) shall apply to years beginning after
6 December 31, 1999.

7 (b) CONSENT REGULATION INAPPLICABLE TO CER-
8 TAIN DISTRIBUTIONS.—

9 (1) IN GENERAL.—The Secretary of the Treas-
10 ury shall modify the regulations under section
11 411(a)(11) of the Internal Revenue Code of 1986 to
12 provide that the description of a participant’s right,
13 if any, to defer receipt of a distribution shall also de-
14 scribe the consequences of failing to defer such re-
15 ceipt.

16 (2) EFFECTIVE DATE.—The modifications re-
17 quired by paragraph (1) shall apply to years begin-
18 ning after December 31, 1999.

19 **SEC. 514. CONFORMING AMENDMENTS RELATING TO ELEC-**
20 **TION TO RECEIVE TAXABLE CASH COM-**
21 **PENSATION IN LIEU OF NONTAXABLE PARK-**
22 **ING BENEFITS.**

23 (a) IN GENERAL.—

24 (1) Clause (ii) of section 415(c)(3)(D) and sub-
25 paragraph (B) of section 403(b)(3) are each amend-

1 ed by striking “section 125 or” and inserting “sec-
2 tion 125, 132(f)(4), or”.

3 (2) Paragraph (2) of section 414(s) is amended
4 by striking “section 125, 402(e)(3)” and inserting
5 “section 125, 132(f)(4), 402(e)(3)”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 subsection (a) shall take effect as if included in the
8 amendment made by section 1072 of the Taxpayer Relief
9 Act of 1997.

10 **SEC. 515. EXTENSION TO INTERNATIONAL ORGANIZATIONS**
11 **OF MORATORIUM ON APPLICATION OF CER-**
12 **TAIN NONDISCRIMINATION RULES APPLICA-**
13 **BLE TO STATE AND LOCAL PLANS.**

14 (a) IN GENERAL.—Subparagraph (G) of section
15 401(a)(5), subparagraph (H) of section 401(a)(26), sub-
16 paragraph (G) of section 401(k)(3), and paragraph (2) of
17 section 1505(d) of the Taxpayer Relief Act of 1997 are
18 each amended by inserting “or by an international organi-
19 zation which is described in section 414(d)” after “or in-
20 strumentality thereof”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) The headings for subparagraph (G) of sec-
23 tion 401(a)(5) and subparagraph (H) of section
24 401(a)(26) are each amended by inserting “AND

1 INTERNATIONAL ORGANIZATION” after “GOVERN-
2 MENTAL”.

3 (2) Subparagraph (G) of section 401(k)(3) is
4 amended by inserting “STATE AND LOCAL GOVERN-
5 MENTAL AND INTERNATIONAL ORGANIZATION
6 PLANS.—” after “(G)”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect as if included in the amend-
9 ment made by section 1505 of the Taxpayer Relief Act
10 of 1997.

11 **SEC. 516. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

12 (a) IN GENERAL.—The Secretary of the Treasury
13 shall modify Treasury Regulations section 1.410(b)–6(g)
14 to provide that employees of an organization described in
15 section 403(b)(1)(A)(i) of the Internal Revenue Code of
16 1986 who are eligible to make contributions under section
17 403(b) pursuant to a salary reduction agreement may be
18 treated as excludable with respect to a plan under section
19 401(k), or section 401(m) of such Code that is provided
20 under the same general arrangement as a plan under such
21 section 401(k), if—

22 (1) no employee of an organization described in
23 section 403(b)(1)(A)(i) of such Code is eligible to
24 participate in such section 401(k) plan or section
25 401(m) plan, and

1 (2) 95 percent of the employees who are not
2 employees of an organization described in section
3 403(b)(1)(A)(i) of such Code are eligible to partici-
4 pate in such section 401(k) plan or section 401(m)
5 plan.

6 (b) EFFECTIVE DATE.—The modification required by
7 subsection (a) shall apply as of the same date set forth
8 in section 1426(b) of the Small Business Job Protection
9 Act of 1996.

10 **SEC. 517. PERMISSIVE AGGREGATION OF COLLECTIVE BAR-**
11 **GAINING UNITS.**

12 (a) IN GENERAL.—Paragraph (3) of section 410(b)
13 is amended by inserting the following immediately before
14 the last sentence thereof: “Solely for purposes of applying
15 this subsection to employees who are not described in sub-
16 paragraph (A), an employer may elect to have subpara-
17 graph (A) not apply to one or more units of employees
18 who are described in subparagraph (A).”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to years beginning after December
21 31, 1999.

1 **SEC. 518. REPEAL OF TRANSITION RULE RELATING TO CER-**
2 **TAIN HIGHLY COMPENSATED EMPLOYEES.**

3 (a) IN GENERAL.—Paragraph (4) of section
4 1114(c)(4) of the Tax Reform Act of 1986 is hereby re-
5 pealed.

6 (b) EFFECTIVE DATE.—The repeal made by sub-
7 section (a) shall apply to plan years beginning on or after
8 January 1, 2000.

9 **SEC. 519. CLARIFICATION OF TREATMENT OF EMPLOYER-**
10 **PROVIDED RETIREMENT ADVICE.**

11 (a) IN GENERAL.—Section 132(e) (defining de mini-
12 mis fringe) is amended by adding at the end the following:

13 “(3) TREATMENT OF CERTAIN RETIREMENT
14 PLANNING SERVICES.—The provision of retirement
15 planning services by an employer to employees, to
16 the extent not described in subsection (d), shall be
17 treated as a de minimis fringe.”.

18 (b) NO CONSTRUCTIVE RECEIPT.—Section 132 is
19 amended by redesignating subsection (m) as subsection
20 (n) and by inserting after subsection (l) the following:

21 “(m) RETIREMENT PLANNING.—

22 “(1) IN GENERAL.—No amount shall be in-
23 cluded in the gross income of an employee solely be-
24 cause the employee may choose between any retire-
25 ment planning fringe and compensation which would

1 otherwise be includible in the gross income of such
2 employee.

3 “(2) NONDISCRIMINATION REQUIREMENT.—

4 Paragraph (1) shall apply to a highly compensated
5 employee only if the choice described in such para-
6 graph is available on substantially the same terms to
7 each member of a group of employees which is de-
8 fined under a reasonable classification set up by the
9 employer which does not discriminate in favor of
10 highly compensated employees.

11 “(3) RETIREMENT PLANNING FRINGE.—For
12 purposes of this subsection, the term ‘retirement
13 planning fringe’ means any retirement planning
14 services provided by an employer to an employee
15 which are not included in the gross income of the
16 employee by reason of subsection (d) or (e).”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to years beginning after December
19 31, 1999.

20 **SEC. 520. PROVISIONS RELATING TO PLAN AMENDMENTS.**

21 (a) IN GENERAL.—If this section applies to any plan
22 or contract amendment—

23 (1) such plan or contract shall be treated as
24 being operated in accordance with the terms of the

1 plan during the period described in subsection
2 (b)(2)(A), and

3 (2) such plan shall not fail to meet the require-
4 ments of section 411(d)(6) of the Internal Revenue
5 Code of 1986 or section 204(g) of the Employee Re-
6 tirement Income Security Act of 1974 (29 U.S.C.
7 1054(g)) by reason of such amendment.

8 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

9 (1) IN GENERAL.—This section shall apply to
10 any amendment to any plan or annuity contract
11 which is made—

12 (A) pursuant to any amendment made by
13 this Act (other than title VI), or pursuant to
14 any regulation issued under this Act (other
15 than title VI), and

16 (B) on or before the last day of the first
17 plan year beginning on or after January 1,
18 2002.

19 In the case of a government plan (as defined in sec-
20 tion 414(d) of the Internal Revenue Code of 1986),
21 this paragraph shall be applied by substituting
22 “2004” for “2002”.

23 (2) CONDITIONS.—This section shall not apply
24 to any amendment unless—

25 (A) during the period—

1 (i) beginning on the date the legisla-
2 tive or regulatory amendment described in
3 paragraph (1)(A) takes effect (or in the
4 case of a plan or contract amendment not
5 required by such legislative or regulatory
6 amendment, the effective date specified by
7 the plan), and

8 (ii) ending on the date described in
9 paragraph (1)(B) (or, if earlier, the date
10 the plan or contract amendment is adopt-
11 ed),

12 the plan or contract is operated as if such plan
13 or contract amendment were in effect, and

14 (B) such plan or contract amendment ap-
15 plies retroactively for such period.

16 **SEC. 521. REPORTING SIMPLIFICATION.**

17 (a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
18 OWNERS AND THEIR SPOUSES.—

19 (1) IN GENERAL.—The Secretary of the Treas-
20 ury shall modify the requirements for filing annual
21 returns with respect to one-participant retirement
22 plans to ensure that such plans with assets of
23 \$500,000 or less as of the close of the plan year
24 need not file a return for that year.

1 (2) ONE-PARTICIPANT RETIREMENT PLAN DE-
2 FINED.—For purposes of this subsection, the term
3 “one-participant retirement plan” means a retire-
4 ment plan that—

5 (A) on the first day of the plan year—

6 (i) covered only the employer (and the
7 employer’s spouse) and the employer
8 owned the entire business (whether or not
9 incorporated), or

10 (ii) covered only one or more partners
11 (and their spouses) in a business partner-
12 ship (including partners in an S or C cor-
13 poration),

14 (B) meets the minimum coverage require-
15 ments of section 410(b) of the Internal Revenue
16 Code of 1986 without being combined with any
17 other plan of the business that covers the em-
18 ployees of the business,

19 (C) does not provide benefits to anyone ex-
20 cept the employer (and the employer’s spouse)
21 or the partners (and their spouses),

22 (D) does not cover a business that is a
23 member of an affiliated service group, a con-
24 trolled group of corporations, or a group of
25 businesses under common control, and

1 (E) does not cover a business that leases
2 employees.

3 (3) OTHER DEFINITIONS.—Terms used in para-
4 graph (2) which are also used in section 414 of the
5 Internal Revenue Code of 1986 shall have the re-
6 spective meanings given such terms by such section.

7 (b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
8 PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case
9 of a retirement plan which covers less than 25 employees
10 on the 1st day of the plan year and meets the require-
11 ments described in subparagraphs (B), (D), and (E) of
12 subsection (a)(2), the Secretary of the Treasury shall pro-
13 vide for the filing of a simplified annual return that is
14 substantially similar to the annual return required to be
15 filed by a one-participant retirement plan.

16 (c) TREATMENT OF ANNUAL REPORTS REQUIRED
17 UNDER ERISA.—Section 629 shall apply with respect to
18 annual reports required under sections 103 and 4065 of
19 the Employee Retirement Income Security Act of 1974
20 (29 U.S.C. 1023 and 1365).

21 **SEC. 522. MODEL PLANS FOR SMALL BUSINESSES.**

22 (a) IN GENERAL.—Not later than December 31,
23 2000, the Secretary of the Treasury is directed to issue
24 at least one model defined contribution plan and at least
25 one model defined benefit plan that fit the needs of small

1 businesses and that shall be treated as meeting the re-
2 quirements of section 401(a) of the Internal Revenue Code
3 of 1986 with respect to the form of the plan. To the extent
4 that the requirements of section 401(a) of such Code are
5 modified after the issuance of such plans, the Secretary
6 of the Treasury shall, in a timely manner, issue model
7 amendments that, if adopted in a timely manner by an
8 employer that has a model plan in effect, shall cause such
9 model plan to be treated as meeting the requirements of
10 section 401(a) of such Code, as modified, with respect to
11 the form of the plan.

12 (b) MASTER AND PROTOTYPE PLAN ALTER-
13 NATIVE.—The Secretary of the Treasury may, in its dis-
14 cretion, satisfy the requirements of subsection (a) through
15 the enhancement and simplification of the Secretary's pro-
16 grams for master and prototype plans in such a manner
17 as to achieve the purposes of subsection (a).